

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2022 AND 2021



THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
TABLE OF CONTENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

<u>Exhibit No.</u>		<u>Page</u>
	Roster of Officials	1
	<u>PART I – FINANCIAL SECTION</u>	
	Independent Auditor’s Report	3
	Independent Auditor’s 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	7
	Management’s Discussion and Analysis	9
	Basic Financial Statements	
A	Comparative Statements of Net Position	14
B	Comparative Statements of Revenues, Expenses and Changes in Net Position	16
C	Comparative Statements of Cash Flows	17
	Notes to Financial Statements	19
<u>Schedule No.</u>		
	<u>REQUIRED SUPPLEMENTARY INFORMATION</u>	
RSI-1	Schedule of Changes in the Commission's Total OPEB Liability and Related Ratios	52
RSI-2	Schedule of the Commission's Proportionate Share of the Net Pension Liability	53
RSI-3	Schedule of the Commission's Pension Contributions	54
	Notes to Required Supplementary Information	55
	<u>SUPPLEMENTARY SCHEDULES</u>	
1	Statement of Cash Receipts, Cash Disbursements and Changes in Cash, Cash Equivalents and Investments	57
2	Statement of Revenues and Expenses--Budget and Actual Non-GAAP Budgetary Basis	58
3	Statement of N.J.D.E.P. Loans Payable	61
4	Statement of Customer Accounts Receivable	62
5	Statement of Accrued Interest Income Receivable	62
6	Statement of Capital Assets	63
7	Statement of Accrued Interest Payable	64
8	Comparative Statements of Revenues and Expenses	65
	<u>PART II - SCHEDULE OF FINDINGS AND RECOMMENDATIONS</u>	
	<u>APPRECIATION</u>	68

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

ROSTER OF OFFICIALS

AS OF DECEMBER 31, 2022

Commissioners

Joseph C. Scavuzzo
Shakir Ali
Frank Warwick
Patrick J. Brennan
Anthony J. Perno

Position

President
Vice President
Secretary
Treasurer
Assistant Secretary

Officers

John Killion
James Garaguso
Richard Spafford, PE
Karl N. McConnell, Esquire

Chief Operating Officer
Distribution Superintendent
Engineer
General Counsel

Consultants

Remington and Vernick Engineers, Inc.
CME Associates
PS&S, LLC
T&M Associates, Inc.
Consulting Engineer Services (CES)
Parker McCay, P.A.
Obermayer Rebmann Maxwell & Hippel LLP
Connor Strong & Buckelew

Engineer
Engineer
Engineer
Engineer
Engineer
Bond Counsel
Bond Counsel
Insurance Broker

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

PART I

FINANCIAL SECTION

REPORT OF AUDIT

FOR THE YEARS ENDED

DECEMBER 31, 2022 AND 2021

INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken (Commission) as of and for the years ending December 31, 2022 and 2021 and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey as of December 31, 2022 and 2021 and the changes in its financial position and its cash flows thereof for the years then ended, in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

Adoption of New Accounting Principle

As described in note 1 to the financial statements, during the year ended December 31, 2022, the Commission adopted new accounting guidance, Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*. Our opinion is not modified with respect to this matter.

Emphasis of Matter (Cont'd)

Consistency of Financial Statements

Because of the implementation of GASB Statement No. 87, the Commission has determined that certain disclosures of leases meet the criteria of this Statement. As a result, a lease receivable and deferred inflow of resources are recorded for the underlying leases as described in note 17. Our opinion is not modified with respect to this matter.

Prior Period Restatement

Because of the implementation of GASB Statement No. 87, the accompanying financial statements as of and for the year ended December 31, 2021, and the net position as of January 1, 2021 on the statement of revenues, expenses and changes in net position, have been restated, as described in note 18 to the financial statements. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

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 Commission'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 opinion. 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 generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 generally accepted auditing standards and *Government Auditing Standards*, 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 Commission'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 the overall presentation of the financial statements.

Auditor's Responsibilities for the Audit of the Financial Statements (Cont'd)

- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Commission'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.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of changes in the Commission's total OPEB liability and related ratios, schedule of the Commission's proportionate share of the net pension liability and schedule of the Commission's pension contributions 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, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

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

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

The Commissioners of
The Merchantville-Pennsauken Water Commission

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 14, 2023, on our consideration of the Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Commission's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Commission's internal control over financial reporting and compliance.

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
November 29, 2023

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER
MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITOR'S REPORT

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and in compliance with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Merchantville-Pennsauken Water Commission, in the County of Camden, State of New Jersey, a component unit of the Township of Pennsauken (Commission), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Commission's basic financial statements, and have issued our report thereon dated November 29, 2023. Our report on the financial statements included an emphasis of matter paragraph describing the adoption of a new accounting principle and an additional paragraph on the consistency of the financial statements resulting from the new accounting principle. Also, our report on the financial statements included an emphasis of matter paragraph describing the restatement of the prior period financial statements resulting from the adoption of the new accounting principle.

Report on Internal Control Over Financial Reporting

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

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

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

The Commissioners of
The Merchantville-Pennsauken Water Commission

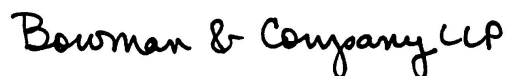
Report on Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,

A handwritten signature in black ink that reads "Bowman & Company LLP". The signature is written in a cursive, flowing style.

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants

Voorhees, New Jersey
November 29, 2023

**THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
MANAGEMENT'S DISCUSSION AND ANALYSIS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021
UNAUDITED**

The Merchantville-Pennsauken Water Commission was created under the provisions of Title 40 Chapter 62 of the Laws of New Jersey, as a public agency to acquire, construct, maintain, operate or improve works for the collection, treatment, or purification of water for the Borough of Merchantville and the Township of Pennsauken. The Commission also provides these services to certain areas within the Township of Cherry Hill and the City of Camden. This section of the Commission's annual financial report provides a discussion and analysis of the financial performance for the years ended December 31, 2022 and 2021. The entire annual financial report consists of five parts; Independent Auditor's Reports, management's discussion and analysis, the basic financial statements, required supplementary information and supplementary schedules.

FINANCIAL HIGHLIGHTS

- **Total Assets** - Total assets as of December 31, 2022 were \$53,958,202. After adding deferred outflows of \$2,837,328 and deducting liabilities of \$15,095,365 and deferred inflows of \$8,072,294, net position equals \$33,627,871, an increase of \$1,973,984 from 2021.
- **Total Operating Revenues** – Operating revenues for the year ended December 31, 2022 totaling \$12,008,730 increased \$288,582 or 2.5% from the year ended December 31, 2021.
- **Net Non-Operating Revenues (Expenses)** - Non-operating revenues, net of non-operating expenses, for the year ended December 31, 2022 totaling \$839,472 increased \$167,630 from the year ended December 31, 2021 primarily due to higher tower antenna fees.
- **Total Operating Expenses** – Operating expenses, before depreciation, for the year ended December 31, 2022 totaling \$8,351,375 were \$254,066 more than the \$8,097,309 for the year ended December 31, 2021 due primarily from increases in property maintenance and operating costs.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)

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

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

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

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

FINANCIAL ANALYSIS OF THE COMMISSION

The Commission's total net position was \$33,627,871 on December 31, 2022. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources and total net position are detailed on the following page.

A large portion, approximately 72%, of the Commission's net position represents its investment in capital assets (i.e., water lines, wells, treatment plants, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Commission's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL ANALYSIS OF THE COMMISSION (CONT'D)

Comparative Statements of Net Position
As of December 31, 2022, 2021 and 2020

	<u>2022</u>	<u>Restated 2021</u>	<u>2020</u>	<u>Changes from 2021 to 2022</u>	
				<u>Amount</u>	<u>Percentage</u>
Assets					
Current Assets	\$ 19,456,053	\$ 18,964,455	\$ 21,115,644	\$ 491,598	2.59%
Lease Receivable	6,129,976	4,119,222	-	2,010,754	48.81%
Capital Assets	<u>28,372,173</u>	<u>27,779,800</u>	<u>24,626,252</u>	<u>592,373</u>	<u>2.13%</u>
Total Assets	<u>53,958,202</u>	<u>50,863,477</u>	<u>45,741,896</u>	<u>3,094,725</u>	<u>6.08%</u>
Deferred Outflows of Resources	<u>2,837,328</u>	<u>8,450,465</u>	<u>10,784,047</u>	<u>(5,613,137)</u>	<u>-66.42%</u>
Liabilities					
Current Liabilities	2,959,330	3,876,940	4,945,880	(917,610)	-23.67%
Long-Term Liabilities	<u>12,136,035</u>	<u>16,116,665</u>	<u>18,112,848</u>	<u>(3,980,630)</u>	<u>-24.70%</u>
Total Liabilities	<u>15,095,365</u>	<u>19,993,605</u>	<u>23,058,728</u>	<u>(4,898,240)</u>	<u>-24.50%</u>
Deferred Inflows of Resources	<u>8,072,294</u>	<u>7,666,450</u>	<u>4,274,559</u>	<u>405,844</u>	<u>5.29%</u>
Net Position:					
Net Investment in Capital Assets	24,289,299	22,584,304	18,286,006	1,704,995	7.55%
Unrestricted	<u>9,338,572</u>	<u>9,069,583</u>	<u>10,906,650</u>	<u>268,989</u>	<u>2.97%</u>
Total Net Position	<u>\$ 33,627,871</u>	<u>\$ 31,653,887</u>	<u>\$ 29,192,656</u>	<u>\$ 1,973,984</u>	<u>6.24%</u>

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

FINANCIAL ANALYSIS OF THE COMMISSION (CONT'D)

Comparative Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31, 2022, 2021 and 2020

	<u>2022</u>	<u>Restated 2021</u>	<u>2020</u>	<u>Changes from 2021 to 2022</u>	
				<u>Amount</u>	<u>Percentage</u>
Operating Revenues:					
Service Charges	\$ 11,359,135	\$ 10,881,456	\$ 10,905,902	\$ 477,679	4.39%
Other Operating Revenue	649,595	838,692	893,157	(189,097)	-22.55%
Total Operating Revenues	<u>12,008,730</u>	<u>11,720,148</u>	<u>11,799,059</u>	<u>288,582</u>	<u>2.46%</u>
Operating Expenses:					
Administration	2,698,210	2,796,381	3,016,440	(98,171)	-3.51%
Cost of Providing Service	5,653,165	5,300,928	5,877,559	352,237	6.64%
Depreciation	2,522,843	2,611,595	2,781,764	(88,752)	-3.40%
Total Operating Expenses	<u>10,874,218</u>	<u>10,708,904</u>	<u>11,675,763</u>	<u>165,314</u>	<u>1.54%</u>
Net Non-Operating Revenues	<u>839,472</u>	<u>671,842</u>	<u>1,057,183</u>	<u>167,630</u>	<u>24.95%</u>
Change in Net Position	<u>1,973,984</u>	<u>1,683,086</u>	<u>1,180,479</u>	<u>290,898</u>	<u>17.28%</u>
Net Position -- Jan. 1	<u>31,653,887</u>	<u>29,192,656</u>	<u>28,012,177</u>	<u>2,461,231</u>	<u>8.43%</u>
Restatement (See Note 18)	-	778,145	-	(778,145)	-100.00%
Net Position -- Jan. 1, as Restated	<u>31,653,887</u>	<u>29,970,801</u>	<u>28,012,177</u>	<u>1,683,086</u>	<u>5.62%</u>
Net Position -- Dec. 31	<u>\$ 33,627,871</u>	<u>\$ 31,653,887</u>	<u>\$ 29,192,656</u>	<u>\$ 1,973,984</u>	<u>6.24%</u>

OVERALL ANALYSIS

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

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONT'D)

OVERALL ANALYSIS (CONT'D)

The Commission continues to provide management, operation and oversight of the Borough of Collingswood's water treatment stations and associated operations in accordance with a shared services arrangement that began in 2018. The Commission has the licensed personnel, background and expertise to operate and maintain the Borough's treatment stations, associated tanks and pumps that supply Collingswood's water.

BUDGET VARIANCES

The Commissioners have historically taken a conservative approach in preparing the budget due to the uncertainty in anticipating certain expenses such as repair and maintenance requirements that can create material deviations in the cost of operations from year to year. Actual operating and non-operating expenses and debt service costs, excluding the actuarially determined accrual for long-term pension and benefit costs, were \$7,584,823. These expenditures were \$2,357,450 less than were budgeted. Actual total operating and non-operating revenues of \$12,899,983 were \$279,725 more than the \$12,620,258 budgeted.

CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY

During 2022, the Commission expended \$3,115,216 for capital activities.

The proposed five-year Capital Improvement Program included in the Commission's 2022 budget totals \$28,121,140. This five-year plan, in addition to the Commission's normal ongoing system renewals, contains certain major projects that are contingent upon the approval of the New Jersey Department of Environmental Protection Agency (NJDEP). Major line items making up a portion of the Capital Budget are:

1. Water Treatment
2. Plant Improvements
3. Main Replacements
4. Tank Painting

CONTACTING THE COMMISSION'S MANAGEMENT

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

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2022 AND 2021

	<u>2022</u>	Restated <u>2021</u>
<u>ASSETS</u>		
Current Assets:		
Cash and Cash Equivalents	\$ 5,480,823	\$ 5,203,906
Investments	9,302,698	9,232,920
Customer Accounts Receivable	1,599,833	2,750,394
Deposits, Prepaids and Other Receivables	397,392	282,033
Unbilled Revenue	2,230,000	1,100,000
Materials and Supplies Inventory	251,444	195,604
Lease Receivable	146,643	150,676
Accrued Interest Receivable	47,220	48,922
Total Current Assets	<u>19,456,053</u>	<u>18,964,455</u>
Capital Assets:		
Utility Plant and Equipment	76,276,506	73,161,290
Accumulated Depreciation	<u>47,904,333</u>	<u>45,381,490</u>
Total Capital Assets	<u>28,372,173</u>	<u>27,779,800</u>
Lease Receivable - Net of Current Portion	<u>6,129,976</u>	<u>4,119,222</u>
Total Assets	<u>53,958,202</u>	<u>50,863,477</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Related to Pensions	564,673	538,101
Related to OPEB	<u>2,272,655</u>	<u>7,912,364</u>
Total Deferred Outflows	<u>2,837,328</u>	<u>8,450,465</u>

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF NET POSITION
AS OF DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>LIABILITIES</u>		
Current Liabilities:		
N.J.D.E.P. Loans Payable - Due Within One Year	\$ 279,125	\$ 275,905
Bond Anticipation Note	1,750,000	2,000,000
Accounts Payable	377,247	476,918
Accounts Payable Related to Pension	350,119	357,346
Customer Prepayments	84,892	77,731
Construction Contracts Payable	-	580,263
Accrued Wages	55,088	46,476
Accrued Interest	16,831	19,409
Pension Withholdings Payable	24,949	21,845
Escrow Deposits	21,079	21,047
Total Current Liabilities	<u>2,959,330</u>	<u>3,876,940</u>
Noncurrent Liabilities		
N.J.D.E.P. Loans Payable	2,053,749	2,339,328
Net Pension Liability	4,189,989	3,614,756
Accrued Liabilities - Related to Pension	175,060	178,673
Post Employment Benefits Obligation Other than Pension	<u>5,717,237</u>	<u>9,983,908</u>
Total Noncurrent Liabilities	<u>12,136,035</u>	<u>16,116,665</u>
Total Liabilities	<u>15,095,365</u>	<u>19,993,605</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Related to Pensions	1,074,507	2,268,265
Related to OPEB	1,634,082	1,906,429
Related to Leases	<u>5,363,705</u>	<u>3,491,756</u>
Total Deferred Inflows	<u>8,072,294</u>	<u>7,666,450</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	24,289,299	22,584,304
Unrestricted	<u>9,338,572</u>	<u>9,069,583</u>
Total Net Position	<u>\$ 33,627,871</u>	<u>\$ 31,653,887</u>

See the accompanying Notes to Financial Statements.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	Restated <u>2021</u>
Operating Revenues:		
Metered Sales to General Public	\$ 10,010,457	\$ 9,625,356
Private Fire Protection	1,161,112	1,159,784
Public Fire Protection	97,450	96,316
Late Charges	90,116	-
Tapping Fees	10,970	6,856
Shared Service Agreement	595,833	800,000
Miscellaneous Income	42,792	31,836
	<hr/>	<hr/>
Total Operating Revenues	12,008,730	11,720,148
	<hr/>	<hr/>
Operating Expenses:		
Administration:		
Salaries and Wages	892,312	956,895
Employee Benefits	783,331	878,590
Other Expenses	1,022,567	960,896
Cost of Providing Service:		
Salaries and Wages	1,766,551	1,659,844
Employee Benefits	1,550,796	1,524,015
Other Expenses	2,335,818	2,117,069
Depreciation	2,522,843	2,611,595
	<hr/>	<hr/>
Total Operating Expenses	10,874,218	10,708,904
	<hr/>	<hr/>
Total Operating Income	1,134,512	1,011,244
	<hr/>	<hr/>
Non-Operating Revenues (Expenses):		
Investment Income	88,225	109,387
Interest on Debt	(51,781)	(67,703)
Tower Lease Income	476,560	319,535
Lease Interest Income	148,553	153,949
Connection and Developers' Fees	177,915	156,674
	<hr/>	<hr/>
Total Non-Operating Revenues	839,472	671,842
	<hr/>	<hr/>
Change in Net Position	1,973,984	1,683,086
	<hr/>	<hr/>
Net Position, Beginning of Year, as Originally Stated	31,653,887	29,192,656
	<hr/>	<hr/>
Restatement (See Note 18)	-	778,145
	<hr/>	<hr/>
Net Position, Beginning of Year, as Restated	31,653,887	29,970,801
	<hr/>	<hr/>
Net Position, End of Year	<u>\$ 33,627,871</u>	<u>\$ 31,653,887</u>

See the accompanying Notes to Financial Statements

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	Restated <u>2021</u>
Cash Flows From Operating Activities:		
Receipts From Customers	\$ 11,296,741	\$ 10,598,104
Other Operating Receipts	739,711	838,692
Payments to Suppliers	(3,513,896)	(3,380,347)
Payments and Benefits to Employees	<u>(4,643,361)</u>	<u>(4,428,287)</u>
Net Cash Provided by Operating Activities	<u>3,879,195</u>	<u>3,628,162</u>
Cash Flows from Non-Capital Financing Activities		
Tower Lease Income	333,270	319,535
Connection and Developers' Fees	<u>177,947</u>	<u>156,698</u>
Net Cash Provided by Non-Capital Financing Activities	<u>511,217</u>	<u>476,233</u>
Cash Flows From Capital and Related Financing Activities:		
Principal Payments on Bond Anticipation Note	(250,000)	(500,000)
Additions to Capital Assets	(3,695,479)	(5,819,913)
Principal Payments on N.J.D.E.P. Loans	(282,359)	(526,880)
Principal Payments on City of Camden Water Allocation	-	(63,100)
Interest Payments on N.J.D.E.P. Loans	(46,581)	(59,832)
Interest Payments on Bond Anticipation Note	(7,778)	(13,712)
Interest Payments on City of Camden Water Allocation	<u>-</u>	<u>(201)</u>
Net Cash Used In Capital and Related Financing Activities	<u>(4,282,197)</u>	<u>(6,983,638)</u>
Cash Flows From Investing Activities:		
Purchase of Investments	(69,778)	(74,543)
Lease Interest Income	148,553	153,949
Investment Income	<u>89,927</u>	<u>108,972</u>
Net Cash Provided by Investing Activities	<u>168,702</u>	<u>188,378</u>
Net Increase (Decrease) in Cash and Cash Equivalents	276,917	(2,690,865)
Cash and Cash Equivalents, January 1	<u>5,203,906</u>	<u>7,894,771</u>
Cash and Cash Equivalents, December 31	<u><u>\$ 5,480,823</u></u>	<u><u>\$ 5,203,906</u></u>

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Reconciliation of Operating Income to		
Net Cash Provided by Operating Activities:		
Operating Income	\$ 1,134,512	\$ 1,011,244
Adjustments to Reconcile Operating Income To		
Net Cash Provided by Operating Activities:		
Depreciation	2,522,843	2,611,595
Changes in Assets, Liabilities, Deferred Outflows and		
Deferred Inflows		
Customer Accounts Receivable	1,150,561	(235,823)
Deposits, Prepaids and Other Receivables	27,931	30,336
Unbilled Revenue	(1,130,000)	(36,000)
Lease Receivable	(2,006,721)	205,116
Materials and Supplies Inventory	(55,840)	(72,555)
Accounts Payable	(99,671)	(229,827)
Accounts Payable Related to Pension	(7,227)	25,228
Customer Prepayments	7,161	(11,529)
Accrued Wages	8,612	7,364
Pension Withholdings Payable	3,104	(1,831)
Deferred Inflows of Resources	405,844	2,128,469
Deferred Outflows of Resources	5,613,137	(99,865)
Net Pension Liability	575,233	(1,336,090)
Accrued Liabilities - Related to Pension	(3,613)	12,614
Post Employment Benefits Obligation	(4,266,671)	(380,284)
	<u>\$ 3,879,195</u>	<u>\$ 3,628,162</u>

See the accompanying Notes to Financial Statements.

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Merchantville-Pennsauken Water Commission (the Commission) have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Reporting Entity

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

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

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

Component Unit

In evaluating how to define the Commission for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

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

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

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

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

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

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

Basis of Accounting

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

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

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

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

Budgets and Budgetary Accounting

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

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

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Cash, Cash Equivalents and Investments**

Cash and cash equivalents include petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey governmental units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governmental units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of the school district of which the local unit is a part of or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

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

Materials and Supplies Inventory

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

Account Receivable and Uncollectible Accounts

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

Lease Receivable

Lease receivables recorded on the statements of net position represents a contract that conveys control of the right to use the Commission's (lessor) nonfinancial asset. At the commencement of the lease term, the lessor recognizes a lease receivable and a deferred inflow of resources. The lease receivable is measured at the present value of lease payments expected to be received during the lease term.

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

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

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

Expenditures are capitalized when they meet the following requirements:

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

Depreciation

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

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

Loan Discounts

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

Deferred Outflows and Deferred Inflows of Resources

The comparative statements of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

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

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

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

Pensions

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

Net Position

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

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

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

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

Income Taxes

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

Operating and Non-Operating Revenues and Expenses

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

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

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

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

Impact of Recently Issued Accounting Policies**Recently Issued and Adopted Accounting Pronouncements**

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. Because of the implementation of GASB Statement No. 87, the Commission has determined that lease agreements in the prior year formerly reported and/or disclosed have now been reported and disclosed in accordance with this Statement (See note 17).

Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement originally would have become effective for the Commission in the year ending December 31, 2021, but as a result of GASB Statement 95, became effective in the year ending December 31, 2022. The adoption of this Statement had no impact on the Commission's financial statements.

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

1. The requirements related to the effective date of Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments.
2. The requirements related to intra-entity transfers of assets and those related to the applicability of Statements Nos. 73 and 74.
3. The requirements related to application of Statement No. 84 to postemployment benefit arrangements and those related to nonrecurring fair value measurements of assets or liabilities.
4. The requirements related to the measurement of liabilities (and assets, if any) associated with AROs in a government acquisition.

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

Statement No. 93, *Replacement of Interbank Offered Rates*. The objective of this Statement is to address the accounting and financial reporting effects that result from the replacement of interbank offered rates (IBORs) with other reference rates in order to preserve the reliability, relevance, consistency, and comparability of reported information. The adoption of this Statement had no impact on the Commission's financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Recently Issued and Adopted Accounting Pronouncements (cont'd)**

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The adoption of this Statement had no impact on the Commission's financial statements.

Recently Issued Accounting Pronouncements

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

Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The Statement will become effective for the Commission in the year ending December 31, 2023. Management does not expect this Statement will have an impact on the financial statements.

Statement 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Statement will become effective for the Commission in the year ending December 31, 2023. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmonetary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective immediately. The requirements related to leases, PPPs, and SBITAs will become effective for the Commission in the year ending December 31, 2023. The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 will become effective for the Commission in the year ending December 31, 2024. Management does not expect this Statement will have an impact on the financial statements.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)**Recently Issued Accounting Pronouncements (cont'd)**

Statement No. 100, *Accounting Changes and Error Corrections*. The primary objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent, and comparable information for making decisions or assessing accountability. The Statement will become effective for the Commission in the year ending December 31, 2024. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statement users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. The Statement will become effective for the Commission in the year ending December 31, 2024. Management is currently evaluating the impact this Statement will have on the basic financial statements of the Commission.

Note 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**Compliance with finance related legal and contractual provisions**

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

Note 3: CASH AND CASH EQUIVALENTS

Custodial Credit Risk Related to Deposits - Custodial credit risk is the risk that, in the event of a bank failure, the Commission's deposits might not be recovered. Although the Commission does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Commission in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Commission relative to the happening of a future condition. As of December 31, 2022, the Commission's bank balances on deposit totaled \$5,488,207 of which \$21,079 represented monies held in escrow. Of the total bank balances on deposit as of December 31, 2022, \$250,000 was insured by the FDIC. The remaining balance was protected by GUDPA. As of December 31, 2021, the Commission's bank balances on deposit totaled \$5,173,812 of which \$21,047 represented monies held in escrow. Of the total bank balances on deposit as of December 31, 2021, \$250,000 was insured by the FDIC. The remaining balance was protected by GUDPA.

Note 4: INVESTMENTS

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

Note 4: INVESTMENTS (CONT'D)

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Commission will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Commission, and are held by either the counterparty or the counterparty's trust department or agent but not in the Commission's name. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Commission has no investment policy to limit its exposure to custodial credit risk. All of the Commission's \$9,302,698 as of December 31, 2022 and \$9,232,920 as of December 31, 2021 investments in certificates of deposit are in the name of the Commission.

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

Interest Rate Risk – Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, The Commission does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

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

As of December 31, 2022, the Commission had twelve certificates of deposit valued at \$9,302,698 ranging from 0.56% to 2.45% and maturing between February 28, 2023 and November 6, 2023. Of the total value of certificates of deposit as of December 31, 2022, the entire balance was protected by GUDPA. As of December 31, 2021, the Commission had twelve certificates of deposit valued at \$9,232,920 at .85% to 1.75% and maturing between February 28, 2022 and October 23, 2022. Of the total value of certificates of deposit as of December 31, 2021, the entire balance was protected by GUDPA.

Fair Value Measurements of Investments

The Commission categorizes its fair value disclosures within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs. As of December 31, 2022 and 2021, the Commission's investments consisted of level 1 investments in certificates of deposit.

Note 5: CUSTOMER ACCOUNTS RECEIVABLE

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

As of December 31, 2022 and 2021, the number of the Commission's accounts was as follows:

	<u>2022</u>	<u>2021</u>
Residential, Apartments, and Commercial Water Services	14,891	14,729
Senior Citizen Accounts	320	289
Fire Services	355	355
Fire Hydrants	242	242

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

Aged accounts receivable at December 31, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Current (less than 30 days)	\$ 506,987	\$ 1,668,815
30 to 59 days	107,805	118,831
60 to 89 days	200,535	294,800
90 to 179 days	219,009	276,634
Over 180 days	<u>624,213</u>	<u>486,261</u>
	1,658,549	2,845,341
Accrued Interest on Delinquent Balances	<u>71,284</u>	<u>35,053</u>
	1,729,833	2,880,394
Less: Reserve for Uncollectible Accounts	<u>130,000</u>	<u>130,000</u>
	<u>\$ 1,599,833</u>	<u>\$ 2,750,394</u>

Note 6: CAPITAL ASSETS

During the year ended December 31, 2022, the following changes in capital assets occurred:

	Balance Jan. 1, 2022	Additions	Deletions	Balance Dec. 31, 2022
Capital Assets not being Depreciated:				
Land and Land Rights	\$ 300,857			\$ 300,857
City of Camden Water Allocation Rights	2,557,608			2,557,608
Total Capital Assets not being Depreciated	2,858,465	-	-	2,858,465
Capital Assets being Depreciated:				
Intangible Plant	32,181			32,181
Source of Supply	5,065,360			5,065,360
Pumping Plant	2,267,185			2,267,185
Water Treatment Plant	4,254,624			4,254,624
Transmission and Distribution Plant	53,462,079	\$ 3,115,216		56,577,295
General Plant	5,014,266			5,014,266
Capitalized Interest	207,130			207,130
Total Capital Assets being Depreciated	70,302,825	3,115,216	-	73,418,041
Total Capital Assets	73,161,290	3,115,216	-	76,276,506
Less: Accumulated Depreciation	45,381,490	2,522,843	-	47,904,333
Capital Assets, Net	\$ 27,779,800	\$ 592,373	\$ -	\$ 28,372,173

Note 6: CAPITAL ASSETS (CONT'D)

During the year ended December 31, 2021, the following changes in capital assets occurred:

	Balance <u>Jan. 1, 2021</u>	<u>Additions</u>	<u>Deletions</u>	Balance <u>Dec. 31, 2021</u>
Capital Assets not being Depreciated:				
Land and Land Rights	\$ 300,857			\$ 300,857
City of Camden Water Allocation Rights	2,557,608			2,557,608
Total Capital Assets not being Depreciated	2,858,465	-	-	2,858,465
Capital Assets being Depreciated:				
Intangible Plant	32,181			32,181
Source of Supply	5,065,360			5,065,360
Pumping Plant	2,267,185			2,267,185
Water Treatment Plant	4,254,624			4,254,624
Transmission and Distribution Plant	47,827,866	\$ 5,634,213		53,462,079
General Plant	4,883,336	130,930		5,014,266
Capitalized Interest	207,130			207,130
Total Capital Assets being Depreciated	64,537,682	5,765,143	-	70,302,825
Total Capital Assets	67,396,147	5,765,143	-	73,161,290
Less: Accumulated Depreciation	42,769,895	2,611,595		45,381,490
Capital Assets, Net	\$ 24,626,252	\$ 3,153,548	\$ -	\$ 27,779,800

Note 7: LONG-TERM LIABILITIES

During the year ended December 31, 2022, the following changes in long-term obligations occurred:

	Balance Jan. 1, 2022	Additions	Reductions	Balance Dec. 31, 2022	Due Within One Year
Loans Payable:					
N.J.D.E.P. Loans Payable	\$ 2,615,233	\$ -	\$ (282,359)	\$ 2,332,874	\$ 279,125
Other Liabilities:					
Net Pension Liability	3,614,756	575,233		4,189,989	
Net OPEB Obligation	9,983,908		(4,266,671)	5,717,237	
Other Liabilities - Related to Pension	178,673	175,060	(178,673)	175,060	
Total Other Liabilities	13,777,337	750,293	(4,445,344)	10,082,286	-
Total Long-Term Liabilities	\$ 16,392,570	\$ 750,293	\$ (4,727,703)	\$ 12,415,160	\$ 279,125

During the year ended December 31, 2021, the following changes in long-term obligations occurred:

	Balance Jan. 1, 2021	Additions	Reductions	Balance Dec. 31, 2021	Due Within One Year
Loans Payable:					
N.J.D.E.P. Loans Payable	\$ 3,142,113	\$ -	\$ (526,880)	\$ 2,615,233	\$ 275,905
Other Liabilities:					
Net Pension Liability	4,950,846		(1,336,090)	3,614,756	
Net OPEB Obligation	10,364,192		(380,284)	9,983,908	
Other Liabilities - Related to Pension	166,059	178,673	(166,059)	178,673	
City of Camden Water Alloc.	63,100		(63,100)	-	
Total Other Liabilities	15,544,197	178,673	(1,945,533)	13,777,337	-
Total Long-Term Liabilities	\$ 18,686,310	\$ 178,673	\$ (2,472,413)	\$ 16,392,570	\$ 275,905

Note 8: N.J.D.E.P. LOANS PAYABLE**New Jersey Environmental Infrastructure Trust Loans**

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

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

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

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

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

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

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

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

On July 20, 2006, the 2001 and 2003 series loans were certified complete. At that time \$13,260 and \$96,832 of the unexpended proceeds from the 2001 and 2003 series, respectively, were applied to the outstanding balance of the "Fund Loan", reducing original balance due from the end of the original payment schedule. On August 11, 2010, the 2007 series was certified complete and \$12,525 was applied to the outstanding balance of the "Fund Loan". In addition, reciprocal amounts from the "Trust Loan", plus earnings credits were recorded as other assets Due from New Jersey Environmental Infrastructure Trust to be applied to immediately due debt service obligations on the "Trust Loan". As of December 31, 2022 and 2021, there were no amounts "Due from New Jersey Environmental Infrastructure Trust" available for application against "Trust Loan" debt service for the 2003 and 2007 series and available in the 2012 construction account.

Note 8: N.J.D.E.P. LOANS PAYABLE (CONT'D)**New Jersey Environmental Infrastructure Trust Loans (Cont'd)**

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

Combined adjusted repayment of the five loans as of December 31, 2022 is due as follows:

<u>Year</u>	<u>Total</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 318,520	\$ 278,826	\$ 39,694
2024	303,458	269,189	34,269
2025	296,651	267,907	28,744
2026	290,545	266,626	23,919
2027	284,078	264,984	19,094
2028	218,439	204,520	13,919
2029	215,239	204,520	10,719
2030	216,770	209,251	7,519
2031	142,116	138,047	4,069
2032	115,917	113,048	2,869
2033	98,812	97,349	1,463
	<u>\$ 2,500,545</u>	<u>2,314,267</u>	<u>\$ 186,278</u>
Unamortized Discount		<u>18,607</u>	
		<u>\$ 2,332,874</u>	

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

Borough of Merchantville	11.58%
Township of Pennsauken	<u>88.42%</u>
	<u>100.00%</u>

Note 9: BOND ANTICIPATION NOTE

On June 11, 2020, the Commission settled on the issuance of a \$2,500,000 bond anticipation note in order to provide financing for the construction of a Perfluorononanoic acid treatment plant to be located at the Commission's Woodbine Avenue facility. Payments on the note totaled \$250,000 and \$500,000 during 2022 and 2021, respectively. The note bears interest at the rate of 3.97% and is due November 20, 2023.

Note 10: CITY OF CAMDEN WATER ALLOCATION LOAN PAYABLE

As more fully described in note 17, on May 19, 2006, the Commission entered into an agreement with the City of Camden for the purchase of water allocation rights for \$2,522,512. The initial payment of \$500,000 was payable in installments totaling \$250,000 in 2006, \$125,000 in 2007 and \$125,000 in 2008.

The remaining balance was due in equal quarterly payments through May 2021, when the loan was paid in full.

Note 11: PENSIONS PLANS

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

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

General Information about the Pension Plans**Plan Descriptions**

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

Defined Contribution Retirement Program - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of P.L. 2007, c. 92 and P.L. 2007, c. 103, and expanded under the provisions of P.L. 2008, c. 89 and P.L. 2010, c. 1. The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for a certain enrollment tier but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for certain enrollment tiers, but who earn salary of at least \$5,000.00 annually.

Note 11: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions**

Public Employees' Retirement System - The vesting and benefit provisions are set by N.J.S.A. 43:15A. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service.

The following represents the membership tiers for PERS:

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

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

Note 11: PENSION PLANS (CONT'D)**General Information about the Pension Plans (Cont'd)****Contributions**

Public Employees' Retirement System - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate was 7.50% of base salary, effective July 1, 2018. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) was 10.0%. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

The Commission's contractually required contribution rate for the years ended December 31, 2022 and 2021 was 17.03% and 14.80% of the annual Commission covered payroll. These amounts were actuarially determined as the amount that, when combined with employee contributions, are expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2022, the Commission's contractually required contribution to the pension plan for the year ended December 31, 2022 was \$350,119, and was payable April 1, 2023. For the prior year measurement date of June 30, 2021, the Commission's contractually required contribution to the pension plan for the year ended December 31, 2021 was \$357,346, which was paid by April 1, 2021.

Employee contributions to the plan for the years ended December 31, 2022 and 2021 were, \$161,997 and \$159,362, respectively.

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

For the years ended December 31, 2022 and 2021, there were no employees participating in DCRP.

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

Public Employees' Retirement System - At December 31, 2022 and 2021, the Commission's proportionate share of the PERS net pension liability was \$4,189,989 and \$3,614,756, respectively.

The net pension liability reported at December 31, 2022 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. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2022. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2022 measurement date, the Commission's proportion was 0.0277641290%, which was a decrease of 0.0027491533% from its proportion measured as of June 30, 2021.

Note 11: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)**

The net pension liability reported at December 31, 2021 was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2020. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2021. The Commission's proportion of the net pension liability was based on a projection of the Commission's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2021 measurement date, the Commission's proportion was 0.0305132823%, which was an increase of 0.0001537473% from its proportion measured as of June 30, 2020.

For the years ended December 31, 2022 and 2021, the Commission recognized its proportionate share of the PERS pension expense (benefit) of (\$297,958) and \$(354,602), respectively. These amounts were based on the plan's June 30, 2022 and 2021 measurement dates, respectively.

Deferred Outflows of Resources and Deferred Inflows of Resources

At December 31, 2022 and 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	Measurement Date June 30, 2022		Measurement Date June 30, 2021	
	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience	\$ 30,241	\$ 26,669	\$ 57,009	\$ 25,877
Changes of Assumptions	12,982	627,407	18,826	1,286,876
Net Difference between Projected and Actual Earnings on Pension Plan Investments	173,420	-	-	952,222
Changes in Proportion and Differences between Commission Contributions and Proportionate Share of Contributions	172,970	420,431	283,593	3,290
Commission Contributions Subsequent to the Measurement Date	175,060	-	178,673	-
	<u>\$ 564,673</u>	<u>\$ 1,074,507</u>	<u>\$ 538,101</u>	<u>\$ 2,268,265</u>

Note 11: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

The deferred outflows of resources related to pensions totaling \$175,060 and \$178,673 will be included as a reduction of the net pension liability in the years ended December 31, 2022 and 2021, respectively. This amount is based on an estimated April 1, 2023 and April 1, 2022 contractually required contribution, prorated from the pension plans measurement date of June 30, 2022 and June 30, 2021 to the Commission's year end of December 31, 2022 and 2021.

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	5.21	-
June 30, 2020	5.16	-
June 30, 2021	-	5.13
June 30, 2022	-	5.04
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
June 30, 2021	5.13	-
June 30, 2022	-	5.04
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
June 30, 2021	5.00	-
June 30, 2022	5.00	-

Note 11: PENSION PLANS (CONT'D)**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

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

Year of Pension Plan Deferral:

June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16
June 30, 2021	5.13	5.13
June 30, 2022	5.04	5.04

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

Year Ending
December 31,

2023	\$ (366,767)
2024	(226,061)
2025	(179,399)
2026	91,912
2027	(4,579)
	<u>\$ (684,894)</u>

Actuarial Assumptions

The net pension liability was measured as of June 30, 2022 and 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuations as of July 1, 2021 and 2020. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement dates of June 30, 2022 and 2021.

Note 11: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

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

	Measurement Date <u>June 30, 2022</u>	Measurement Date <u>June 30, 2021</u>
Inflation Rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases:		
Through 2026	2.75% - 6.55%	2.00% - 6.00%
	Based on Years of Service	Based on Years of Service
Thereafter		3.00% - 7.00%
		Based on Years of Service
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2018 - June 30, 2021	July 1, 2014 - June 30, 2018

For the June 30, 2022 measurement date, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

For the June 30, 2021 measurement date, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

Note 11: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022 and 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 and 2021 are summarized in the table below.

	Measurement Date		Measurement Date	
	<u>June 30, 2022</u>		<u>June 30, 2021</u>	
<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk Mitigation Strategies	3.00%	4.91%	3.00%	3.35%
Cash Equivalents	4.00%	1.75%	4.00%	5.00%
U.S. Treasuries	4.00%	1.75%	5.00%	0.95%
Investment Grade Credit	7.00%	3.38%	8.00%	1.68%
High Yield	4.00%	4.95%	2.00%	3.75%
Private Credit	8.00%	8.10%	8.00%	7.60%
Real Assets	3.00%	7.60%	3.00%	7.40%
Real Estate	8.00%	11.19%	8.00%	9.15%
U.S. Equity	27.00%	8.12%	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.38%	13.50%	8.71%
Emerging Markets Equity	5.50%	10.33%	5.50%	10.96%
Private Equity	13.00%	11.80%	13.00%	11.30%
	<u>100.00%</u>		<u>100.00%</u>	

Discount Rate – The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.54% as of the June 30, 2022 measurement date based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity would be based on 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 projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all projected benefit payments to determine the total pension liability.

Note 11: PENSION PLANS (CONT'D)**Actuarial Assumptions (Cont'd)**

Discount Rate (Cont'd) - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 2.16% as of the June 30, 2021 measurement date based on the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity would be based on 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 projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the Commission's proportionate share of the net pension liability as of the June 30, 2022 measurement date, calculated using a discount rate of 7.00%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	December 31, 2022		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Commission's Proportionate Share of the Net Pension Liability	<u>\$ 5,382,909</u>	<u>\$ 4,189,989</u>	<u>\$ 3,174,767</u>

The following presents the Commission's proportionate share of the net pension liability as of the June 30, 2021 measurement date, calculated using a discount rate of 7.00%, as well as what the Commission's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	December 31, 2021		
	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Commission's Proportionate Share of the Net Pension Liability	<u>\$ 4,922,564</u>	<u>\$ 3,614,756</u>	<u>\$ 2,504,895</u>

Note 11: PENSION PLANS (CONT'D)**Pension Plan Fiduciary Net Position**

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

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – COMMISSION PLAN**Plan Description**

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

As of December 31, 2022, there were 32 retirees and/or beneficiaries who qualified for and are receiving post-employment benefits and 44 active employees who are eligible but still actively employed. Certain employees are required to contribute to the plan pursuant to Chapter 78 and Commission policy, based on their date of hire. Those employees will be required to contribute a minimum of 1.5% of the retirement benefit towards their premium costs "post retirement."

Net OPEB Liability

The Commission's total OPEB liability of \$5,717,237 as of December 31, 2022 and \$9,983,908 as of December 31, 2021 was measured as of December 31, 2022 and 2021. The liabilities were determined by an actuarial valuation as of December 31, 2022.

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

Inflation	N/A
Discount Rate	4.31%
Healthcare Cost Trend Rates	
Pre-Medicare	7.00%
Post-Medicare	5.00%
Retirees' Share of Benefit-Related Costs	Pursuant to Chapter 78

The discount rate was based on the S&P Municipal Bond 20-Year High Grade Rate Index which consists of bonds in the S&P Municipal Bond Index with a maturity of 20 years as of December 31, 2022.

Mortality rates were based on RP-2014 combined mortality table for males and females as appropriate.

Assumptions were made that terminations of employment other than for death or retirement will occur in the future in accordance with the State of New Jersey PERS Local Government turnover/withdrawal experience.

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

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – COMMISSION PLAN (CONT'D)**Changes in the Total OPEB Liability**

The following table shows the changes in the total OPEB liability for the years ended December 31, 2021 and 2020, respectively:

	<u>December 31, 2022</u>	<u>December 31, 2021</u>
Balance at Beginning of Year	\$ 9,983,908	\$ 10,364,192
Changes for the Year:		
Service Cost	199,977	343,466
Interest Cost	254,540	207,526
Benefit Payments	(360,556)	(315,206)
Actuarial Assumption Changes	(2,540,770)	(616,070)
Differences Between Actual and Expected	<u>(1,819,862)</u>	
Net Changes	<u>(4,266,671)</u>	<u>(380,284)</u>
Balance at End of Year	<u>\$ 5,717,237</u>	<u>\$ 9,983,908</u>

For 2018, the Commission changed their benefits to a High Deductible Plan. The Discount Rate changed at , December 31 over the following years, 3.16% 2017, 3.64% 2018, 2.49% 2019, 1.91% 2020, 2.25% 2021 and 4.31% 2021.

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

	<u>December 31, 2022</u>		
	1.00% Decrease (3.31%)	Current Discount Rate (4.31%)	1.00% Increase (5.31%)
Total OPEB Liability	<u>\$ 6,585,259</u>	<u>\$ 5,717,237</u>	<u>\$ 5,006,498</u>

	<u>December 31, 2021</u>		
	1.00% Decrease (1.25%)	Current Discount Rate (2.25%)	1.00% Increase (3.25%)
Total OPEB Liability	<u>\$ 13,712,454</u>	<u>\$ 9,983,908</u>	<u>\$ 9,744,991</u>

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – COMMISSION PLAN (CONT'D)**Changes in the Total OPEB Liability (Cont'd)**

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

December 31, 2022			
	<u>1.00% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
Total OPEB Liability	<u>\$ 4,932,241</u>	<u>\$ 5,717,237</u>	<u>\$ 6,690,649</u>

December 31, 2021			
	<u>1.00% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
Total OPEB Liability	<u>\$ 9,583,764</u>	<u>\$ 9,983,908.00</u>	<u>\$ 13,955,566</u>

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

For the years ended December 31, 2022 and 2021, the Commission recognized OPEB expense of \$1,100,691 and \$1,242,516, respectively. At December 31, 2022 and 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>December 31, 2022</u>		<u>December 31, 2021</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of Assumptions or Other Inputs	\$ 1,173,480	\$ 1,309,772	\$ 4,484,621	\$ 1,528,068
Differences between Expected and Actual Experience	<u>\$ 1,099,175</u>	<u>\$ 324,310</u>	<u>\$ 3,427,743</u>	<u>\$ 378,361</u>
	<u>\$ 2,272,655</u>	<u>\$ 1,634,082</u>	<u>\$ 7,912,364</u>	<u>\$ 1,906,429</u>

Note 12: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – COMMISSION PLAN (CONT'D)**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Cont'd)**

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

<u>Year Ending December 31,</u>	
2023	\$ 1,006,730
2024	\$ 1,006,730
2025	\$ 1,006,730
2026	\$ 1,006,730
2027	\$ 1,006,730
Thereafter	\$ 972,285
	<u>\$ 6,005,935</u>

Note 13: COMPENSATED ABSENCES

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

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

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

Management has determined that the balance of accrued sick leave was not material as of December 31, 2022 and 2021 and, accordingly, a liability has not been recorded.

Note 14: COMMITMENTS AND CONTINGENCIES**Litigation**

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

Commodity-Demand Water Purchase Agreement

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

Currently, the Commission purchases 50 thousand gallons per day at an average annual cost of approximately sixty thousand dollars a year, the minimum under the agreement. Water purchases under the agreement were \$63,339 and \$53,815, respectively for the years ended December 31, 2022 and 2021.

Note 15: RISK MANAGEMENT

The Commission is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered through a joint insurance pool as described below. Settled claims from these risks have not exceeded coverage for the past several years.

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

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

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

The Fund publishes its own financial report for the year ended December 31, 2022, which can be obtained from:

New Jersey Utility Authorities Joint Insurance Fund
9 Campus Drive, Suite 216
Parsippany, NJ 07054

Note 16: WATER ALLOCATION RIGHTS

As described in note 10, on May 19, 2006, the Commission entered into an agreement with the City of Camden (the City) for the purchase of water allocation rights for \$2,522,512. The agreement was approved by the New Jersey Department of Environmental Protection and contains the following provisions:

Purchase of Water Allocation Rights

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

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

Note 16: WATER ALLOCATION RIGHTS (CONT'D)**Bulk Water Sale**

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

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

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

Treatment of Water

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

Note 17: LEASE RECEIVABLE

The Commission, as lessor, has entered into multiple agreements with various cellular service providers for the use of the Commission's water towers for transmitting and receiving wireless communications. The leases commenced between 2005 and 2022 and range between 20 and 30 years. The terms of each agreement include a fixed monthly payment with annual increases.

The Commission reported lease revenue of \$291,657 and interest revenue of \$148,553 related to lease payments received for the year ended December 31, 2022.

The following is a summary of the leases as of December 31, 2022:

<u>Lease Description</u>	<u>Lease Receivable</u>	<u>Lease Revenue</u>	<u>Lease Interest Revenue</u>
Cell Towers	<u>\$ 6,276,619</u>	<u>\$ 291,657</u>	<u>\$ 148,553</u>

The Commission reported lease revenue of \$319,535 and interest revenue of \$153,949 related to lease payments received for the year ended December 31, 2021.

Under the provision of GASB 87, annual requirements to amortize lease obligations and related interest are as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 245,679	\$ 221,778	\$ 467,457
2024	168,038	216,252	384,290
2025	123,440	209,920	333,360
2026	137,696	205,601	343,297
2027	152,759	200,778	353,537
2028-2032	1,020,725	1,027,973	2,048,698
2033-2037	1,542,192	875,929	2,418,121
2038-2042	1,935,161	643,047	2,578,208
2043-2046	950,929	313,799	1,264,728
Total	<u>\$ 6,276,619</u>	<u>\$ 3,915,077</u>	<u>\$ 10,191,696</u>

Note 18: RESTATEMENT OF PRIOR PERIOD FINANCIAL STATEMENTS

The Commission adopted GASB Statement No. 87, Leases for the year ended December 31, 2022. As a result of implementing this Statement, a restatement of net position was required to record the Commission's lease receivable and deferred inflow. The following table illustrates the restatement:

Account	Original 2021 balance	2021 Restated	Change
Lease receivable, current portion	\$ -	\$ 150,676	\$ 150,676
Lease receivable, net of current portion	-	4,119,222	4,119,222
Deferred inflows of resources – related to leases	-	3,491,753	3,491,753
Beginning net position	29,192,656	29,970,801	778,145

Note 19: SUBSEQUENT EVENT

The management of the Commission has evaluated its financial statements for subsequent events through the date that the financial statements were issued.

On June 29, 2023, the Commission settled on the issuance of a \$8,677,030 short-term construction loan with the New Jersey Environmental Infrastructure Bank in connection with a Drinking Water Emerging Contaminant project. The funding consists of 100% principal forgiveness for the first \$1 million of allowable project costs and the equivalent interest rate of a blend of fifty percent market rate loans from the Infrastructure Bank in combination with fifty percent zero percent interest rate loans from the NJ DEP for allowable project costs over \$1 million.

**REQUIRED SUPPLEMENTARY
INFORMATION**

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB Liability						
Service Cost	\$ 199,977	\$ 343,466	\$ 382,718	\$ 289,676	\$ 289,676	\$ 461,342
Interest Cost	254,540	207,526	205,536	243,915	897,301	376,358
Benefit Payments	(360,556)	(315,206)	(315,206)	(241,388)	(241,388)	(290,418)
Actuarial Assumption Changes	(2,540,770)	(616,070)	1,000,121	1,131,332	(594,565)	6,342,637
Difference Between Expected and Actual Experience	(1,819,862)		1,376,891			
Changes of Benefit Terms					(14,937,381)	
Actuarial Demographic Gains (Losses)					(2,401,252)	4,218,866
Net Change in Total OPEB Liability	(4,266,671)	(380,284)	2,650,060	1,423,535	(16,987,609)	11,108,785
Total OPEB Liability - Beginning of Year	<u>9,983,908</u>	<u>10,364,192</u>	<u>7,714,132</u>	<u>6,290,597</u>	<u>23,278,206</u>	<u>12,169,421</u>
Total OPEB Liability - End of Year	<u>\$ 5,717,237</u>	<u>\$ 9,983,908</u>	<u>\$ 10,364,192</u>	<u>\$ 7,714,132</u>	<u>\$ 6,290,597</u>	<u>\$ 23,278,206</u>
Covered Employee Payroll	\$ 2,146,237	\$ 2,098,444	\$ 2,243,557	\$ 2,169,407	\$ 2,092,530	\$ 1,993,786
Total OPEB Liability as a Percentage of Covered Employee Payroll	266%	476%	462%	356%	301%	1168%

Note: This schedule is presented to illustrate the requirement to show information for 10 years.
However, until a full 10 year trend is compiled, this presentation will only include information
for those years for which information is available.

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

	Measurement Date Ending June 30,									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Proportion Of The Net Pension Liability	0.0277641290%	0.0305132823%	0.0303595350%	0.0293404344%	0.0282670679%	0.0283174574%	0.0276390081%	0.0268630286%	0.0264734132%	0.0246842789%
Proportionate Share of the Net Pension Liability	\$ 4,189,989	\$ 3,614,756	\$ 4,950,846	\$ 5,286,701	\$ 5,565,645	\$ 6,591,851	\$ 8,185,881	\$ 6,030,212	\$ 4,956,547	\$ 4,717,656
Covered Payroll (Plan Measurement Period)	\$ 1,962,252	\$ 2,225,744	\$ 2,144,688	\$ 2,097,256	\$ 2,006,956	\$ 1,938,344	\$ 1,873,084	\$ 1,850,720	\$ 1,841,584	\$ 1,763,112
Proportionate Share of the Net Pension Liability as a Percentage of Covered Payroll	213.53%	162.41%	230.84%	252.08%	277.32%	340.08%	437.03%	325.83%	269.15%	267.58%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

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

	Year Ended December 31,									
	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Contractually Required Contribution	\$ 350,119	\$ 357,346	\$ 332,118	\$ 285,396	\$ 281,166	\$ 262,331	\$ 245,541	\$ 230,950	\$ 218,243	\$ 185,991
Contributions in Relation to the Contractually Required Contribution	<u>(350,119)</u>	<u>(357,346)</u>	<u>(332,118)</u>	<u>(285,396)</u>	<u>(281,166)</u>	<u>(262,331)</u>	<u>(245,541)</u>	<u>(230,950)</u>	<u>(218,243)</u>	<u>(185,991)</u>
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered Payroll (Calendar Year)	\$ 2,146,237	\$ 2,098,444	\$ 2,243,557	\$ 2,169,407	\$ 2,092,530	\$ 1,993,786	\$ 1,943,247	\$ 1,885,183	\$ 1,821,312	\$ 1,833,363
Contributions as a Percentage of Commission's Covered Payroll	16.31%	17.03%	14.80%	13.16%	13.44%	13.16%	12.64%	12.25%	11.98%	10.14%

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2022

Note 1: POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)

Changes in Benefit Terms

None.

Changes in Assumptions

The discount rate used as of the December 31 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2022	4.31%	2018	3.64%
2021	2.25%	2017	3.16%
2020	1.91%		
2019	2.49%		

Note 2: POSTEMPLOYMENT BENEFITS – PENSION

Public Employees' Retirement System (PERS)

Changes in Benefit Terms

The June 30, 2022 measurement date included three changes to the plan provisions, only one of which had an impact on the Total Pension Liability (TPL). Chapter 226, P.L. 2021 reopened the Prosecutors Part of PERS and made membership in the Prosecutors Part of PERS mandatory for all prosecutors.

Changes in Assumptions

The discount rate used as of the June 30 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2022	7.00%	2017	5.00%
2021	7.00%	2016	3.98%
2020	7.00%	2015	4.90%
2019	6.28%	2014	5.39%
2018	5.66%		

The long-term expected rate of return used as of the June 30 measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2022	7.00%	2017	7.00%
2021	7.00%	2016	7.65%
2020	7.00%	2015	7.90%
2019	7.00%	2014	7.90%
2018	7.00%		

SUPPLEMENTARY SCHEDULES

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTMENTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Cash, Cash Equivalents and Investments, January 1		\$ 14,436,826
Cash Receipts:		
Collection of Customer Accounts Receivable	\$ 11,211,849	
Tower Lease Income	333,270	
Other Operating Receipts	739,711	
Connection and Developers' Fees	177,947	
Customer Prepayments	84,892	
Lease Interest Income	148,553	
Investment Income	<u>89,927</u>	
		<u>12,786,149</u>
		27,222,975
Cash Disbursements:		
Current Year Cost of Operations	7,612,019	
Liquidation of Prior Year Accounts Payable and Accrued Liabilities	545,239	
Interest Payments on Bond Anticipation Note	7,778	
Interest Payments on N.J.D.E.P. Loans	46,581	
Principal Payments on N.J.D.E.P. Loans	282,359	
Principal Payments on Bond Anticipation Note	250,000	
Additions to Capital Assets	<u>3,695,479</u>	
		<u>12,439,455</u>
Cash, Cash Equivalents and Investments, December 31		<u><u>\$ 14,783,520</u></u>
Analysis of Balance:		
Cash and Cash Equivalents		\$ 5,480,823
Investments		<u>9,302,698</u>
		<u><u>\$ 14,783,521</u></u>

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Adopted and Final <u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Revenues:			
Operating Revenues:			
Metered Sales to General Public	\$ 10,067,200	\$ 10,010,457	\$ (56,743)
Private Fire Protection	1,166,460	1,161,112	(5,348)
Public Fire Protection	97,768	97,450	(318)
Shared Service Agreement	800,000	595,833	(204,167)
Late Charges	50,000	90,116	40,116
Tapping Fees	3,000	10,970	7,970
Miscellaneous Income	26,600	42,792	16,192
Total Operating Revenues	12,211,028	12,008,730	(202,298)
Non-Operating Revenues:			
Investment Income	30,000	88,225	58,225
Lease Interest Income	-	148,553	148,553
Tower Lease Income	299,230	476,560	177,330
Connection and Developers' Fees	80,000	177,915	97,915
Total Revenues	12,620,258	12,899,983	279,725
Operating Expenses:			
Administration:			
Salaries and Wages	1,067,200	892,312	174,888
Fringe Benefits	851,610	413,940	437,670
Other Expenses:			
Notices & Advertising	11,000	10,307	693
Office Expense	113,000	87,309	25,691
Operating Fees - DEP	48,000	43,460	4,540
I.T. Expense	75,000	61,387	13,613
Uniform Rental	11,000	8,613	2,387
Training and Development	20,000	17,249	2,751
Consumer Confidence Report	3,600	3,630	(30)
Employee and Community Relations	28,500	18,330	10,170
Professional / Outside Services	120,000	112,841	7,159
Insurance	150,400	155,077	(4,677)
Tower Antenna Fees Expense	425,559	473,487	(47,928)
Bad Debt Expense (Net Reserve Reduction)	10,000	9,952	48
Other	33,145	20,925	12,220
Total Administration Other Expenses	1,049,204	1,022,567	26,637
Total Administration	\$ 2,968,014	\$ 2,328,819	\$ 639,195

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

	Adopted and Final <u>Budget</u>	<u>Actual</u>	Variance-- Favorable (Unfavorable)
Cost of Providing Service:			
Salaries and Wages	\$ 1,742,826	\$ 1,766,551	\$ (23,725)
Fringe Benefits	1,685,972	819,496	866,476
Other Expenses:			
Chemicals and Supplies	172,000	149,625	22,375
CCMUA Charges	4,000	2,816	1,184
Electric & Gas Expense	780,000	723,751	56,249
Maintenance of Wells and Strippers	272,500	273,078	(578)
Utilities - Other	30,000	24,277	5,723
Maintenance on Mains and Services	592,800	497,403	95,397
Maintenance on Structures	313,000	279,572	33,428
Maintenance on Generators and Power Equipment	40,000	17,892	22,108
Maintenance on Control Panels	58,000	10,548	47,452
Maintenance on Pumping and Chemical Equipment	60,000	43,342	16,658
Purchase of Water	70,000	63,339	6,661
Lab Work	130,000	93,475	36,525
Meter Repair and Maintenance	34,000	2,185	31,815
Communications	45,000	36,215	8,785
Fuel & Gas	40,000	46,632	(6,632)
Safety Equipment	17,500	12,815	4,685
Vehicle Expense	40,000	58,853	(18,853)
Total Cost of Providing Service Other Expenses	2,698,800	2,335,818	362,982
Total Cost of Providing Service	6,127,598	4,921,865	1,205,733
Total Principal Payments on Debt in Lieu of Depreciation	786,367	282,359	504,008
Total Operating Expenses	9,881,979	7,533,043	2,348,936
Non-Operating Expenses:			
Interest Payments on Debt	60,294	51,781	8,513
Total Non-Operating Expenses	60,294	51,781	8,513
Total Operating and Non-Operating Expenses	9,942,273	7,584,824	2,357,449
Excess of Revenues over Operating and Non-Operating Expenses	\$ 2,677,985	\$ 5,315,159	\$ 2,637,174

(continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF REVENUES AND EXPENSES - BUDGET AND ACTUAL
NON-GAAP BUDGETARY BASIS
FOR THE YEAR ENDED DECEMBER 31, 2022

Reconciliation of Excess Revenues
over Expenses to Operating Income

Excess of Revenues Over Operating and Non-Operating Expenses	\$ 5,315,159
Add:	
Principal Payments on Debt	282,359
Interest Payments on Debt	51,781
Deduct:	
Other Post Employment and Pension Benefits Accrual Included in Employee Benefits	(1,100,691)
Investment Income	(88,225)
Lease Interest Income	(148,553)
Tower Antenna Fees	(476,560)
Connection and Developers' Fees	(177,915)
Depreciation	<u>(2,522,843)</u>
Operating Income (Exhibit B)	<u><u>\$ 1,134,512</u></u>

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

	<u>Balance</u> <u>January 1, 2022</u>	<u>Savings Credits</u> <u>Adjustments</u>	<u>Paid</u>	<u>Savings Credits</u> <u>and Discounts</u> <u>Amortization</u>	<u>Balance</u> <u>December 31, 2022</u>
2003 Infrastructure Trust Loan	\$ 47,486		\$ 21,727		\$ 25,759
2007 Infrastructure Trust Loan	416,051		67,846		348,205
2010 Infrastructure Trust Loan	574,263		57,473		516,790
2014 Infrastructure Trust Loan	1,551,560		128,047		1,423,513
Unamortized Discount on Loans	25,873			\$ 7,266	18,607
	<u>\$ 2,615,233</u>	<u>\$ -</u>	<u>\$ 275,093</u>	<u>\$ 7,266</u>	<u>\$ 2,332,874</u>
Analysis of Balance:					
Current	\$ 275,905				\$ 279,125
Long-Term	<u>2,339,328</u>				<u>2,053,749</u>
	<u>\$ 2,615,233</u>				<u>\$ 2,332,874</u>

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CUSTOMER ACCOUNTS RECEIVABLE

Balance January 1, 2022		\$ 2,750,394
Increased by Customer Billings:		
Metered Sales Billings to General Public	\$ 8,880,457	
Private Fire Protection	1,161,112	
Public Fire Protection	97,450	
Late Charges	<u>90,116</u>	
		<u>10,229,135</u>
		12,979,529
Decreased by:		
Collections	11,171,965	
Customer Prepayments Applied	<u>77,731</u>	
		<u>11,249,696</u>
Balance December 31, 2022		<u><u>\$ 1,599,833</u></u>

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

Balance January 1, 2022	\$ 48,922
Interest Earned	<u>88,225</u>
	137,147
Interest Collected	<u>89,927</u>
Balance December 31, 2022	<u><u>\$ 47,220</u></u>

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF CAPITAL ASSETS

<u>Description</u>	<u>Balance</u> <u>January 1, 2022</u>	<u>Additions</u> <u>(Deletions)</u>	<u>Balance</u> <u>December 31, 2022</u>
Land and Land Rights	\$ 300,857		\$ 300,857
City of Camden Water Allocation	2,557,608		2,557,608
Intangible Plant:			
Organization Costs	32,181		32,181
Source of Supply:			
Structures and Improvements	169,882		169,882
Wells and Springs	1,706,832		1,706,832
SCADA Program	1,644,879		1,644,879
Water Mapping - SCADA	283,457		283,457
Water Re-use Preservation Project	1,103,915		1,103,915
Supply Mains	156,395		156,395
Pumping Plant:			
Structures and Improvements	1,832,162		1,832,162
Electric Plumbing Equipment	157,614		157,614
Diesel Pumping Equipment	83,325		83,325
Other Pumping Equipment	194,084		194,084
Water Treatment Plant:			
Structures and Improvements	1,371,276		1,371,276
Water Treatment Equipment	2,883,348		2,883,348
Transmission and Distribution Plant:			
Structures and Improvements	774,619	\$ 978	775,597
Camden Avenue Tank	2,012,192	175,000	2,187,192
Cherry Hill 1MG Tank	3,006,586		3,006,586
ASR Building - Browning Road	124,706		124,706
Manganese Filtration	2,108,896		2,108,896
National and Brown Lime Addition	399,738		399,738
Park Avenue Project	4,534,580		4,534,580
Park Avenue Lime Building	256,928		256,928
Service Wells and Motors	542,320		542,320
Filter Media	576,242		576,242
Rehab National Highway Well 2	331,742	54,896	386,638
Browning Road Well 1	280,215		280,215
Tank Painting	5,974,955	172,850	6,147,805
Carbon Filter Project	7,004,462	1,141,059	8,145,521
CC TV Park	136,599		136,599
Valve Replacement	237,122		237,122
Distribution Reservoirs and Standpipes	2,830,658		2,830,658
Garden State Project	28,423		28,423
Transmission and Distribution Mains	7,166,534	89,518	7,256,052
Water Main Replacement	6,429,634	1,235,077	7,664,711
Services	1,983,004		1,983,004
Meters	6,045,356	193,975	6,239,331
Hydrants	713,260	51,863	765,123
General Plant:			
Administration Office	3,618,474		3,618,474
Structures and Improvements	49,337		49,337
Office Furniture and Equipment	169,448		169,448
Software	128,331		128,331
Excavation Equipment	211,397		211,397
Transportation Equipment	589,871		589,871
Tools Shop and Garage Equipment	88,294		88,294
Power Operated Equipment	122,422		122,422
Capitalized Interest	207,130		207,130
Total Capital Assets in Service	<u>\$ 73,161,290</u>	<u>\$ 3,115,216</u>	<u>\$ 76,276,506</u>

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
STATEMENT OF ACCRUED INTEREST PAYABLE

Balance January 1, 2022			\$	19,409
Accrued Interest:				
N.J.D.E.P. Loans	\$	44,003		
Bond Anticipation Note		<u>7,778</u>		
				<u>51,781</u>
				71,190
Less Interest Paid:				
N.J.D.E.P. Loans		46,581		
Bond Anticipation Note		<u>7,778</u>		
				<u>54,359</u>
Balance December 31, 2022			\$	<u><u>16,831</u></u>

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	Restated <u>2021</u>	Increase (Decrease)
Revenues:			
Operating Revenues:			
Metered Sales to General Public	\$ 10,010,457	\$ 9,625,356	\$ 385,101
Private Fire Protection	1,161,112	1,159,784	1,328
Public Fire Protection	97,450	96,316	1,134
Late Charges	90,116	-	90,116
Tapping Fees	10,970	6,856	4,114
Shared Service Agreement	595,833	800,000	(204,167)
Miscellaneous Income	42,792	31,836	10,956
Total Operating Revenues	12,008,730	11,720,148	288,582
Non-Operating Revenues:			
Investment Income	88,225	109,387	(21,162)
Lease Interest Income	148,553	153,949	(5,396)
Tower Lease Income	476,560	319,535	157,025
Connection and Developers' Fees	177,915	156,674	21,241
Total Revenues	12,899,983	12,459,693	440,290
Operating Expenses (Benefit):			
Personal Services:			
Administrative Salaries	892,312	956,896	(64,584)
Water Treatment Salaries	-	56,814	(56,814)
Field Service Technicians	1,113,933	1,000,868	113,065
Repair and Maintenance Salaries	204,485	196,733	7,752
Service Salaries	131,903	116,237	15,666
Plant Operators Salaries	299,045	289,193	9,852
Total Personal Services	2,658,863	2,616,741	42,122
Employee Benefits:			
Health Benefits	1,024,385	982,611	41,774
Prescription	130,858	156,429	(25,571)
Social Security Tax	193,255	196,793	(3,538)
Dental, Vision and Other Employee Benefits	113,951	110,197	3,754
Unemployment and Disability	8,616	8,321	295
Workers' Compensation Insurance	60,329	60,338	(9)
Post Employment Benefits Obligation			
Other than Pension	1,100,691	1,242,516	(141,825)
Public Employees' Retirement System	(297,958)	(354,602)	56,644
Total Employee Benefits	\$ 2,334,127	\$ 2,402,603	\$ (68,476)

(Continued)

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
COMPARATIVE STATEMENTS OF REVENUES AND EXPENSES
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	<u>2022</u>	Restated <u>2021</u>	Increase (Decrease)
Operating Expenses (Benefit) (Cont'd):			
Administrative Expenses:			
Notices & Advertising	\$ 10,307	\$ 9,683	\$ 624
Office Expense	87,309	91,350	(4,041)
Operating Fees - DEP	43,460	42,251	1,209
I.T. Expense	61,387	57,166	4,221
Uniform Rental	8,613	7,365	1,248
Training and Development	17,249	7,143	10,106
Consumer Confidence Report	3,630	3,375	255
Employee and Community Relations	18,330	12,640	5,690
Professional / Outside Services	112,841	106,522	6,319
Insurance	155,077	139,999	15,078
Tower Antenna Fees Expense	473,487	458,113	15,374
Other	20,925	25,289	(4,364)
	<hr/>	<hr/>	<hr/>
Total Administrative Expenses	1,022,567	960,896	61,671
	<hr/>	<hr/>	<hr/>
Operating and Maintenance Expenses:			
Chemicals and Supplies	149,625	97,564	52,061
CCMUA Charges	2,816	2,816	-
Electric & Gas Expense	748,028	642,460	105,568
Maintenance of Wells and Treatment Equipment	273,078	250,552	22,526
Maintenance on Mains and Services	497,403	394,613	102,790
Maintenance on Structures	279,572	346,061	(66,489)
Maintenance on Generators and Power Equipment	17,892	22,309	(4,417)
Maintenance on Control Panels	10,548	20,367	(9,819)
Maintenance on Pumping and Chemical Equipment	43,342	69,154	(25,812)
Purchase of Water	63,339	53,815	9,524
Lab Work	93,475	95,593	(2,118)
Meter Repair and Maintenance	2,185	400	1,785
Communications	36,215	37,614	(1,399)
Fuel & Gas	46,632	21,874	24,758
Safety Equipment	12,815	9,537	3,278
Vehicle Expense	58,853	52,340	6,513
	<hr/>	<hr/>	<hr/>
Total Operating and Maintenance Expenses	2,335,818	2,117,069	218,749
	<hr/>	<hr/>	<hr/>
Depreciation Expense	2,522,843	2,611,595	(88,752)
	<hr/>	<hr/>	<hr/>
Total Operating Expenses	10,874,218	10,708,904	165,314
	<hr/>	<hr/>	<hr/>
Other Expenses:			
Interest on Long-term Debt	51,781	67,703	(15,922)
	<hr/>	<hr/>	<hr/>
Total Expenses	10,925,999	10,776,607	149,392
	<hr/>	<hr/>	<hr/>
Change in Net Position	\$ 1,973,984	\$ 1,683,086	\$ 290,898
	<hr/>	<hr/>	<hr/>

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION

PART II

SCHEDULE OF FINDINGS AND RECOMENDATIONS

FOR THE YEAR ENDED

DECEMBER 31, 2022

THE MERCHANTVILLE-PENNSAUKEN WATER COMMISSION
SCHEDULE OF FINDINGS AND RECOMMENDATIONS
FOR THE YEAR ENDED DECEMBER 31, 2022

Schedule of Financial Statement Findings

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts and grant agreements related to financial statements for which *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, requires.

None

Schedule of Prior Year Financial Statement Findings

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

None

Appreciation

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

Respectfully submitted,

Bowman & Company LLP

BOWMAN & COMPANY LLP
Certified Public Accountants
& Consultants