

**PASSAIC VALLEY WATER COMMISSION**  
**REPORT OF AUDIT**  
**FOR THE YEARS ENDED**  
**DECEMBER 31, 2021 AND 2020**

# PASSAIC VALLEY WATER COMMISSION

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## INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of the  
Passaic Valley Water Commission  
1525 Main Avenue  
Clifton, New Jersey 07011

### **Report on the Audit of the Financial Statements**

#### *Opinion*

We have audited the financial statements of the Passaic Valley Water Commission (the "Commission"), which comprise the statement of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Passaic Valley Water Commission as of December 31, 2021 and 2020, and the results of its operations and its cash flows 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 (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. 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 Passaic Valley Water Commission 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.



***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 prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 Passaic Valley Water 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 statement 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 GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement 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 evaluate the overall presentation of the financial statements.

- Conclude whether, in our judgement, 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.

### ***Other Information***

Accounting principles generally accepted in the United States of America and the reporting provisions prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey require that the information listed in the table of contents 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 and the Division of Local Government Services, Department of Community Affairs, State of New Jersey 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Commission's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the

Honorable Chairman and Members of the  
Passaic Valley Water Commission  
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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 listed in the table of contents and the schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulation Part 200, Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

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

***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated September 21, 2022 on our consideration of the Passaic Valley Water Commission's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Passaic Valley Water Commission's internal control over financial reporting and compliance.



WIELKOTZ & COMPANY, LLC  
Certified Public Accountants  
Pompton Lakes, New Jersey

September 21, 2022



**Required Supplementary Information - Part I**



## **Management's Discussion and Analysis**

**PASSAIC VALLEY WATER COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

*As management of the Passaic Valley Water Commission, we offer the Commission's financial statements this narrative overview and analysis of the Commission's financial performance during the fiscal year ended December 31, 2021. Please read this analysis in conjunction with the Commission's financial statements, which follow this section.*

**Financial Highlights**

- The Commission's assets and deferred outflows of resources exceeded its liabilities and deferred inflows of resources by \$126,268,823 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows of resources exceeded liabilities and deferred inflows of resources by \$109,872,058.
  
- Total net position is comprised of the following:
  - (1) Net investment in capital assets of \$165,252,303 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt and unexpended funds related to the purchase or construction of capital assets.
  - (2) Restricted net position of \$34,966,075 are restricted by constraints imposed from outside the Commission such as debt covenants, grantors, laws, or regulations.
  - (3) Unrestricted net position of (73,949,555) represent the portion available to maintain the Commission's continuing obligations to citizens and creditors.
  
- Total liabilities of the Commission decreased by \$21,916,766 to \$184,972,278 during the fiscal year.

**Overview of the Financial Statements**

This annual report includes this management discussion, the independent auditor's report and the basic financial statements of the Commission. The financial statements also include notes that explain in more detail some of the information in the financial statements.

*Required Financial Statements*

The financial statements of the Commission report information of the Commission using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all of the Commission's assets, deferred outflows of resources, liabilities and deferred inflows of resources, and provides information about the nature and amounts of investments in resources (assets), the consumption of net position that is applicable to a future period (deferred outflows of resources), the acquisition of net position that is applicable to a future reporting period (deferred inflows of resources) and the obligations to Commission creditors (liabilities). It also provides the basis for evaluating the capital structure of the Commission and assessing the liquidity and financial flexibility of the Commission.

**PASSAIC VALLEY WATER COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)**

All of the current year's revenues and expenses are accounted for in the *Statement of Revenues, Expenses and Changes in Net Position*. This statement measures the results of the Commission's operations over the past year and can be used to determine whether the Commission has recovered all its costs through user fees and other charges, operational stability and credit worthiness.

The final required financial statement is the *Statement of Cash Flows*. This statement reports cash receipts and cash payments, and net changes in cash resulting from operations, investing and financing activities and provides answers to such questions as what operational sources provided cash, what was the cash used for, and what was the change in cash balance during the reporting period.

*Notes to the Financial Statements*

The accompanying notes to the financial statements provide information essential to a full understanding of the financial statements. The notes to the financial statements begin immediately following the basic financial statements.

*Other Information*

In addition to the basic financial statements and accompanying notes, this report presents certain required supplementary information. This supplementary information follows the notes to the financial statements.

**Financial Analysis of the Commission**

One of the most important questions asked about the Commission's finances is "Is the Commission as a whole better able to fulfill its mission as a result of this year's activities?" The *Statement of Net Position* and the *Statement of Revenues, Expenses and Changes in Net Position* report information about the Commission's activities in a way that will help answer this question. These two statements report net position of the Commission and the changes in net position. The reader can think of the Commission's net position – the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources – as one way to measure financial health or financial position. Over time, increases or decreases in the Commission's net position are one indicator of whether its financial health is improving or deteriorating. However, one will need to consider the non-financial factors such as changes in economic conditions, population growth, development, and new or changed government regulation.

**PASSAIC VALLEY WATER COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)**

**Net Position**

As year-to-year financial information is accumulated on a consistent basis, changes in net assets may be observed and used to discuss the changing financial position of the Commission as a whole.

The Commission's net position at fiscal year-end was \$126,268,823. This is a \$16,396,765 increase over last year's net position of \$109,872,058. A summary of the Commission's statement of net position is presented in the following table:

**Condensed Statement of Net Position**

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	84,512,788	95,009,108	(10,496,320)	(11.05)%
Capital Assets	<u>234,226,875</u>	<u>223,663,719</u>	<u>10,563,156</u>	4.72%
Total Assets	<u>318,739,663</u>	<u>318,672,827</u>	<u>66,836</u>	0.02%
Deferred Outflow of Resources	<u>25,903,144</u>	<u>33,450,888</u>	<u>(7,547,744)</u>	(22.56)%
Current Liabilities	26,000,205	31,726,966	(5,726,761)	(18.05)%
Non-Current Liabilities	<u>158,971,715</u>	<u>175,162,078</u>	<u>(16,190,363)</u>	(9.24)%
Total Liabilities	<u>184,971,920</u>	<u>206,889,044</u>	<u>(21,917,124)</u>	(10.59)%
Deferred Inflows of Resources	<u>33,401,706</u>	<u>35,362,613</u>	<u>(1,960,907)</u>	(5.55)%
Net Investment in Capital Assets	165,252,303	142,650,247	22,602,056	15.84%
Restricted	34,966,075	34,051,880	914,195	2.68%
Unrestricted	<u>(73,949,555)</u>	<u>(66,830,069)</u>	<u>(7,119,486)</u>	10.65%
Total Net Position	<u>126,268,823</u>	<u>109,872,058</u>	<u>16,396,765</u>	14.92%

**PASSAIC VALLEY WATER COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)**

**Net Position (Continued)**

A summary of the Commission's prior year statement of net position is presented with comparative FY 2019 balances in the following table.

**Condensed Statement of Net Position**

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	95,009,108	99,684,531	(4,675,423)	(4.69)%
Capital Assets	<u>223,663,719</u>	<u>209,747,716</u>	<u>13,916,003</u>	6.63%
Total Assets	<u>318,672,827</u>	<u>309,432,247</u>	<u>9,240,580</u>	2.99%
Deferred Outflow of Resources	<u>33,450,888</u>	<u>34,396,926</u>	<u>(946,038)</u>	(2.75)%
Current Liabilities	31,726,966	27,917,376	3,809,590	13.65%
Non-Current Liabilities	<u>175,162,078</u>	<u>195,603,033</u>	<u>(20,440,955)</u>	(10.45)%
Total Liabilities	<u>206,889,044</u>	<u>223,520,409</u>	<u>(16,631,365)</u>	(7.44)%
Deferred Inflows of Resources	<u>35,362,613</u>	<u>24,577,004</u>	<u>10,785,609</u>	43.89%
Net Investment in Capital Assets	142,650,247	123,566,625	19,083,622	15.44%
Restricted	34,051,880	32,435,505	1,616,375	4.98%
Unrestricted	<u>(66,830,069)</u>	<u>(60,270,370)</u>	<u>(6,559,699)</u>	10.88%
Total Net Position	<u>109,872,058</u>	<u>95,731,760</u>	<u>14,140,298</u>	14.77%

**PASSAIC VALLEY WATER COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)**

**Net Position (Continued)**

While the *Statement of Net Position* shows the change in financial position of net assets, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes. As can be seen in the following table, net position increased by \$16,396,765 and \$14,140,298 during the 2021 and 2020 fiscal years, respectively.

**Condensed Statement of Revenues, Expenses  
And Changes in Net Position**

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	101,521,328	98,520,700	3,000,628	3.05%
Non-operating Revenues	<u>555,330</u>	<u>3,329,362</u>	<u>(2,774,032)</u>	(83.32)%
Total Revenue	<u>102,076,658</u>	<u>101,850,062</u>	<u>226,596</u>	0.22%
Depreciation	12,276,670	12,936,194	(659,524)	(5.10)%
Other Operating Expenses	62,315,764	66,267,833	(3,952,069)	(5.96)%
Other Non-operating Expense	<u>11,087,459</u>	<u>8,505,737</u>	<u>2,581,722</u>	30.35%
Total Expenses	<u>85,679,893</u>	<u>87,709,764</u>	<u>(2,029,871)</u>	(2.31)%
Change in Net Position	16,396,765	14,140,298	2,256,467	15.96%
Beginning Balance	<u>109,872,058</u>	<u>95,731,760</u>	<u>14,140,298</u>	14.77%
Ending Balance	<u>126,268,823</u>	<u>109,872,058</u>	<u>16,396,765</u>	14.92%

**PASSAIC VALLEY WATER COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)**

**Net Position (Continued)**

A summary of the Commission's prior year statement of revenues, expenses and change in net assets is presented with comparative FY 2019 figures in the following table.

**Condensed Statement of Revenues, Expenses  
And Changes in Net Position**

	<u>FY 2020</u>	<u>FY 2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	98,520,700	91,579,011	6,941,689	7.58%
Non-operating Revenues	<u>3,329,362</u>	<u>2,650,070</u>	<u>679,292</u>	25.63%
Total Revenues	<u>101,850,062</u>	<u>94,229,081</u>	<u>7,620,981</u>	8.09%
Depreciation	12,936,194	11,861,852	1,074,342	9.06%
Other Operating Expenses	66,267,833	64,149,253	2,118,580	3.30%
Other Non-operating Expense	<u>8,505,737</u>	<u>8,553,340</u>	<u>(47,603)</u>	(0.56)%
Total Expenses	<u>87,709,764</u>	<u>84,564,445</u>	<u>3,145,319</u>	3.72%
Change in Net Position	14,140,298	9,664,636	4,475,662	46.31%
Beginning Balance	<u>95,731,760</u>	<u>86,067,124</u>	<u>9,664,636</u>	11.23%
Ending Balance	<u>109,872,058</u>	<u>95,731,760</u>	<u>14,140,298</u>	14.77%

**PASSAIC VALLEY WATER COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)**

**Budgetary Highlights**

The State of New Jersey requires local authorities to prepare and adopt annual budgets in accordance with the Local Authorities Fiscal Control Law and regulations adopted by the Local Finance Board pursuant to this statute and codified as N.J.A.C. 5:31-1 et seq. The statutory budget was designed to demonstrate to the Bureau of Commission Regulation of the Division of Local Government Services that the cash flows of the Commission for the coming year will be sufficient to cover operating expenses, interest accruing on bonded indebtedness and cash payments of maturing bond and loan principal.

The following tables provides a FY 2021 and FY 2020 budget comparison:

<b>Budget vs. Actual FY 2021</b>			
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	101,178,117	101,521,328	343,211
Non-Operating	<u>250,000</u>	<u>555,330</u>	<u>305,330</u>
	<u>101,428,117</u>	<u>102,076,658</u>	<u>648,541</u>
Expenses:			
Operating	73,734,521	66,664,116	7,070,405
Non-Operating	<u>18,125,150</u>	<u>16,662,359</u>	<u>1,462,791</u>
	<u>91,859,671</u>	<u>83,326,475</u>	<u>8,533,196</u>
Income before Depreciation	<u>9,568,446</u>	<u>18,750,183</u>	<u>9,181,737</u>



**PASSAIC VALLEY WATER COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)**

**Budgetary Highlights (Continued)**

	<b>Budget vs. Actual FY 2020</b>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	101,758,425	98,763,647	(2,994,778)
Non-Operating	<u>500,000</u>	<u>1,004,331</u>	<u>504,331</u>
	<u>102,258,425</u>	<u>99,767,978</u>	<u>(2,490,447)</u>
Expenses:			
Operating	74,169,195	65,565,874	8,603,321
Non-Operating	<u>17,449,371</u>	<u>17,495,402</u>	<u>(46,031)</u>
	<u>91,618,566</u>	<u>83,061,276</u>	<u>8,557,290</u>
Income before Depreciation	<u>10,639,859</u>	<u>16,706,702</u>	<u>6,066,843</u>

**CAPITAL ASSETS AND DEBT ADMINISTRATION**

**Capital Assets**

During fiscal year 2021, the Commission had an increase of \$22,454,923 in capital assets. The Commission's net property, plant and equipment at fiscal year end was \$234,226,875. This is a \$10,563,156 increase over last year's net property, plant and equipment of \$223,663,719. A summary of the Commission's capital assets is presented in the following table:

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>
Land	33,260,191	33,260,191	0
Infrastructure and Improvements	391,906,752	371,959,020	19,947,732
Machinery, Vehicles and Equipment	<u>14,673,722</u>	<u>12,166,531</u>	<u>2,507,191</u>
	439,840,665	417,385,742	22,454,923
Less: Accumulated Depreciation	<u>(205,613,790)</u>	<u>(193,722,023)</u>	<u>(11,891,767)</u>
Net Property, Plant and Equipment	<u>234,226,875</u>	<u>223,663,719</u>	<u>10,563,156</u>

**PASSAIC VALLEY WATER COMMISSION  
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)  
(UNAUDITED)**

**Capital Assets (Continued)**

The Commission's on going capital plan is reviewed each year by the Commission's engineer. Notable future capital improvements are listed below.

Recurring Construction, Vehicles & Equipment	106,586,118
Discrete Projects	54,200,000
Production and Pumping	68,575,000
Distribution	285,749,574
Plant and General Structures	103,165,000
Instrumentation, Controls and Information Technologies	<u>36,016,852</u>
	<u>654,292,544</u>

**Debt Administration**

At December 31, 2021, the Commission had outstanding New Jersey Environmental Infrastructure Fund bonds and revenue refunding bonds in the amount of \$74,468,340. The debt service schedule goes out to 2046. Full details of the specific bond issues outstanding are found in Note 6 to the financial statements and the supplementary schedules.

**Economic Factors, Future Years' Budgets and Rates**

The Commissioners and management of the Commission consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the Commission's system and new regulations issued by the State and Federal governments. Recently, national delays in supply chains and inflationary factors have begun to affect the Commission's cost of providing services. The Commission is therefore anticipating an increase in the cost of providing services in the next fiscal year due to recent increases in energy, fuel, material and other chemical costs.

**Contacting the Commission**

This financial report is designed to provide our customers and creditors with a general overview of the Commission's finances and to demonstrate the Commission's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Passaic Valley Water Commission, 1525 Main Avenue, Clifton, NJ 07011.

**Financial Statements**

**PASSAIC VALLEY WATER COMMISSION  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31,**

**EXHIBIT A**  
Page 1 of 3

	2021	2020
<b><u>ASSETS</u></b>		
<b>Current Assets:</b>		
<b><u>Unrestricted:</u></b>		
Cash and Cash equivalents	\$ 9,852,340	\$ 19,461,051
Investments	970,352	2,833,865
Accounts Receivable, net	29,063,476	27,985,628
Inventory	2,789,957	2,297,890
Other Receivables	6,476	10,000
Prepaid Expenses	123,632	44,760
Total Unrestricted Assets	42,806,233	52,633,194
<b><u>Restricted:</u></b>		
Construction Account:		
Due From NJEIT	6,590,534	8,096,496
Bond Service Fund:		
Cash and Cash equivalents	538,427	1,732,927
Bond Reserve Account:		
Cash and Cash equivalents	13,347,106	8,739,382
Investments	3,481,490	7,852,958
Renewal and Extension Account:		
Cash and Cash equivalents	4,000,000	1,401,688
Investments	-	1,598,312
Operations Account:		
Cash and Cash equivalents	12,734,706	12,554,813
Investments	580,294	-
Unemployment Compensation Insurance:		
Cash and Cash equivalents	291,198	317,738
Investments	142,800	81,600
Total Restricted Assets	41,706,555	42,375,914
<b>Non-Current Assets:</b>		
<b><u>Capital Assets:</u></b>		
Land	33,260,191	33,260,191
Infrastructure and Improvements	391,906,752	371,959,020
Machinery, Vehicles and Equipment	14,673,722	12,166,531
Less: Accumulated Depreciation	(205,613,790)	(193,722,023)
Total Capital Assets	234,226,875	223,663,719
TOTAL ASSETS	\$ 318,739,663	\$ 318,672,827

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**PASSAIC VALLEY WATER COMMISSION  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31,**

**EXHIBIT A**  
Page 2 of 3

	2021	2020
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
<b>Deferred Outflows:</b>		
Water Bank - Deferred Expense	4,610,572	4,934,555
Unamortized Costs in Excess of Refunded Debt, Net of Amortization	2,527,786	3,138,902
Deferred Outflows Related to OPEB	11,647,911	15,235,144
Deferred Outflows Related to Pensions	7,116,875	10,142,287
<b>TOTAL DEFERRED OUTFLOWS OF RESOURCES</b>	<b>25,903,144</b>	<b>33,450,888</b>
<b><u>LIABILITIES</u></b>		
<b>Current Liabilities:</b>		
<b><u>Payable from Unrestricted Assets:</u></b>		
Accounts Payable and Accrued Liabilities	\$ 13,272,996	\$ 15,223,736
Accounts Payable - Pension Related	2,805,102	2,718,650
<b>Total Payable from Unrestricted Assets</b>	<b>16,078,098</b>	<b>17,942,386</b>
<b><u>Payable from Restricted Assets:</u></b>		
Accrued Interest Payable	149,946	227,538
Bonds Payable - Current Portion	9,700,205	13,483,324
Leases Payable - Current Portion	72,314	73,718
<b>Total Payable from Restricted Assets</b>	<b>9,922,465</b>	<b>13,784,580</b>
<b>Non-Current Liabilities:</b>		
Bonds Payable - Long-Term Portion	64,768,135	74,639,340
Leases Payable - Long-Term Portion	341,427	413,741
Net OPEB Obligation	67,933,013	65,192,188
Net Pension Obligation	25,929,140	34,916,809
<b>Total Non-Current Liabilities</b>	<b>158,971,715</b>	<b>175,162,078</b>
<b>TOTAL LIABILITIES</b>	<b>184,972,278</b>	<b>206,889,044</b>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**PASSAIC VALLEY WATER COMMISSION  
COMPARATIVE STATEMENT OF NET POSITION  
DECEMBER 31,**

**EXHIBIT A**  
Page 3 of 3

	<b>2021</b>	<b>2020</b>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
<b>Deferred Inflows:</b>		
Due To Water Bank	4,610,572	4,934,555
Unamortized Savings from Refunded Debt, Net of Amortization	435,554	310,341
Unamortized Bond Premium, Net of Amortization	2,775,257	3,268,454
Deferred Savings on Bond Refunding, Net of Amortization	-	59,952
Deferred Inflows Related to OPEB	8,105,219	10,841,660
Deferred Inflows Related to Pensions	17,475,104	15,947,651
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>33,401,706</b>	<b>35,362,613</b>
 <b><u>NET POSITION:</u></b>		
Net Investment in Capital Assets	165,252,303	142,650,247
Restricted:		
Current Debt Service	388,481	1,505,389
Future Debt Service	16,828,596	16,592,340
Renewal and Extension Operations	4,000,000	3,000,000
Unemployment Compensation Insurance	13,315,000	12,554,813
Unrestricted:	433,998	399,338
Designated	608,084	608,084
Undesignated	(74,557,639)	(67,438,153)
<b>TOTAL NET POSITION</b>	<b>\$ 126,268,823</b>	<b>\$ 109,872,058</b>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**PASSAIC VALLEY WATER COMMISSION**  
**COMPARATIVE STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN NET POSITION**  
**DECEMBER 31,**

**EXHIBIT B**

	<b>2021</b>	<b>2020</b>
<b>Operating Revenue:</b>		
Service Agreements	\$ 94,913,521	\$ 90,396,374
Miscellaneous	6,601,877	8,106,703
Sale of Scrap	5,930	17,623
Total Operating Revenue	101,521,328	98,520,700
<b>Operating Expenses:</b>		
Cost of Providing Services	50,292,003	51,866,903
Administrative and General	12,023,761	14,400,930
Depreciation Expense	12,276,670	12,936,194
Total Operating Expenses	74,592,434	79,204,027
Operating Income	26,928,894	19,316,673
<b>Non-Operating Revenue (Expenses):</b>		
Interest on Investments	555,330	1,004,331
Finance Charges	-	242,947
Interest Expense	(3,105,319)	(3,574,626)
Cancellation of Accounts Payables	-	2,082,084
Loss on Disposal of Asset	(289,763)	(245,187)
Other Postemployment Benefit Obligation	(3,591,617)	(4,605,391)
Amortization Expense	(345,549)	(80,533)
Emergency Protective Measures: Boil Advisory	(3,755,211)	-
Non-Operating Income (Loss)	(10,532,129)	(5,176,375)
<b>Change In Net Position</b>	16,396,765	14,140,298
<b>Net Position - January 1</b>	109,872,058	95,731,760
<b>Net Position - December 31</b>	\$ 126,268,823	\$ 109,872,058

The accompanying "Notes to the Financial Statements" are an integral part of this report.

## PASSAIC VALLEY WATER COMMISSION

COMPARATIVE STATEMENT OF CASH FLOWS  
FOR THE YEARS ENDED DECEMBER 31,

	<u>2021</u>	<u>2020</u>
<b>Cash Flows from Operating Activities:</b>		
Cash Received from Customers	\$ 100,447,004	\$ 96,194,692
Cash Paid to Vendors and Employees	<u>(72,941,006)</u>	<u>(60,014,915)</u>
<b>Net Cash Provided by Operating Activities</b>	<u>27,505,998</u>	<u>36,179,777</u>
<b>Cash Flow from Investing Activities:</b>		
Interest Received	555,330	1,247,278
(Increase) Decrease in Investments	<u>7,191,799</u>	<u>(6,230,132)</u>
<b>Net Cash Provided by (used in) Investing Activities</b>	<u>7,747,129</u>	<u>(4,982,854)</u>
<b>Cash Flow from Financing Activities:</b>		
Principal Payment on Bonds and Notes	(13,654,324)	(12,984,093)
Interest Paid on Bonds and Notes	(3,182,911)	(3,647,265)
Capital Expenditures	(23,129,589)	(27,097,384)
NJFIT Receipts	1,505,962	7,813,091
Lease Payments	(73,718)	(75,150)
Bond Premium Received	<u>(162,369)</u>	<u>(2,000)</u>
<b>Net Cash Used in Financing Activities</b>	<u>(38,696,949)</u>	<u>(35,992,801)</u>
<b>Net Increase/(Decrease) in Cash and Cash Equivalents</b>	(3,443,822)	(4,795,878)
<b>Cash and Cash Equivalents at Beginning of Year</b>	<u>44,207,599</u>	<u>49,003,477</u>
<b>Cash and Cash Equivalents at End of Year</b>	<u>\$ 40,763,777</u>	<u>\$ 44,207,599</u>
<b>Analysis of Balance:</b>		
Unrestricted	\$ 9,852,340	\$ 19,461,051
Restricted	<u>30,911,437</u>	<u>24,746,548</u>
	<u>\$ 40,763,777</u>	<u>\$ 44,207,599</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.



**PASSAIC VALLEY WATER COMMISSION**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED DECEMBER 31,**

	<u>2021</u>	<u>2020</u>
<b>OPERATING INCOME (LOSS)</b>	\$ <u>26,928,894</u>	\$ <u>19,316,673</u>
<b>Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:</b>		
Depreciation Expense	12,276,670	12,936,194
Decrease (Increase) in Accounts Receivable	(1,077,848)	(2,324,557)
Decrease (Increase) in Other Receivable	3,524	(1,451)
Decrease (Increase) in Inventory	(492,067)	519,864
Decrease (Increase) in Prepaid Expenses	(78,872)	102,730
Increase (Decrease) in Accounts Payable	(10,054,303)	3,548,240
Cancellation of Payables	<u>-</u>	<u>2,082,084</u>
<b>Total Adjustments</b>	<u>577,104</u>	<u>16,863,104</u>
<b>NET CASH PROVIDED BY OPERATING ACTIVITIES</b>	\$ <u><u>27,505,998</u></u>	\$ <u><u>36,179,777</u></u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**Notes to Financial Statements**

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**

**NOTE 1. GENERAL**

The Passaic Valley Water Commission (the “Commission”) was created and operates pursuant to the provisions of Chapter 195 of the Pamphlet Laws of 1923 of the State of New Jersey, as amended (N.J.S.A. 40:62-108 to 40:62-150, inclusive). The Commission was appointed by a Supreme Court Justice in 1927 pursuant to an application filed by the cities of Paterson, Passaic and Clifton in accordance with N.J.S.A. 40:62-109. Upon appointment, the Commission organized and commenced negotiations for the purchase of the waterworks facilities of the Passaic Consolidated Water Company together with all its rights and franchises. An agreement could not be reached for the purchase of the waterworks facilities. The Commission then instituted proceedings for the condemnation of the facilities. A court appointed commissioner examined and appraised the land, facilities and other property of the Passaic Consolidated Water Company. Finally, in 1930, the Commission acquired on behalf of the Owner Municipalities by condemnation and purchase, the pumping station, treatment facilities, distribution system reservoirs and real property of the Passaic Consolidated Water Company.

In accordance with N.J.S.A. 40:62-116, the waterworks facilities acquired by the Commission are owned jointly by the Owner Cities. Ownership interests were allocated among the Owner Cities by application of the formula established in N.J.S.A. 40:62-121 for the appointment of liability, as among the Owner Cities, for the indebtedness issued on behalf of the Commission. Under that formula, an Owner City was liable for the payment of the principal and interest on such indebtedness in the proportion that the assessed value of taxation of all real estate in such municipality for the year 1929 bears to the total assessed value for taxation of all real estate in all the municipalities in the year 1929. Thus, the City of Paterson was assigned a 57% interest, the City of Passaic a 29% interest, and the City of Clifton a 14% interest.

**Water Supply Sources**

The Commission utilizes two principal water supply sources to meet the demands placed upon its System. The Commission obtains water from the Passaic River system in accordance with legal rights granted to the Commission by the State of New Jersey, Department of Environmental Protection (“DEP”), under a permitting process established by statute and implemented by the rules and the regulations of the DEP and water from Wanaque North in the exercise of the rights of the Owner Cities under their agreements with the NJDWSC and the Commission.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 1. GENERAL, (continued)**

Under the terms of Water Diversion Allocation Permit No. 5099 (the "Permit") issued to the Commission by the Division of Water Resources of the DEP, the Commission may divert up to 2.325 million gallons of water per month (MGW) from the Pompton and Passaic Rivers at the Two Bridges Intake, or from the Passaic River at the Little Falls Intake (at the Commission's filtration plant in Totowa), or jointly from both intakes, at the maximum rate of 75 million gallons per day (MGD). No minimum passing flow requirements have been imposed on the Commission's Little Falls Intake. Such requirements have been placed on the diversion allocation permits granted to the Hackensack Water Company (45090) and to NJDWSC (#5094) for their use of water from the Two Bridges site for the Wanaque South Reservoir Project to assure a minimum flow sufficient to preserve the Commission's rights. The Two Bridges Intake has been connected to the Commission's Little Falls Filtration Plant in Totowa, New Jersey, where river water is treated and purified.

In addition to the Permit, the Commission, as Agent for the Owner Cities under the Wanaque Agency Agreements, has an entitlement of 37.75% of the Wanaque North Reservoir operated by NJDWSC. These rights are equivalent to a supply of 35.48 MGD, based on the 1960's drought safe yield on 94 MGD for Wanaque North. Under the Wanaque Agency Agreement, the Commission is responsible for the payment of the Owner Cities' aggregate share (37.75%) of the operating and debt service expenses of NJDWSC attributable to the Wanaque North System. The Commission is also subject to a penalty provision in the event of a monthly overdraft from the Wanaque North, which has occurred from time to time.

**Water Purification and Treatment Facilities**

The Little Falls Filtration Plant was constructed by the East Jersey Water Company and first placed in service in 1903. At the time, the filtration plant was the first large-sized gravity rapid sand filter system in the United States. The adjacent Pump Station was completed in 1899 with a rated capacity of 75 MGD. The treatment plant and pumping station are located on the Passaic River in Totowa.

The Commission has significantly modernized the Little Falls Filtration Plant and Pumping Station. To enhance these facilities, the Commission has undertaken major capital improvements, including programs implemented from 1962-1966, in 1975 and from 1985-1987. Extensive facilities designed to process residuals generated from the water treatment phase were added in 1975.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 1. GENERAL, (continued)**

Passaic Valley Water Commission completed its most recent major plant upgrade in 2004. The upgrade enhanced plant performance and expanded plant capacity using advanced treatment processes that meet quality goals for microbials and disinfection byproducts. The existing conventional clarification processes were replaced by a ballasted flocculation process that provides a high degree of treatment at higher loading rates for varying water qualities. In addition to being more robust, the new process system has a very compact facility layout which resulted in the achievement of significant construction cost savings. The second phase of the plant upgrade project, which included installation of ozonation for disinfection which, in conjunction with the upgrade of the existing filters, significantly improved the quality of water produced while enhancing the ability to control the formation of disinfection byproducts to meet future regulatory requirements. This upgrade also expanded treatment capacity to 120 MGD with a delivered water capacity of 110 MGD. The delivered water capacity of the main pumping station remained 160 MGD.

The entire water treatment and purification process at the Little Falls Filtration Plant is controlled and monitored so that the water delivered will comply with all applicable safe water standards. In addition, the Commission adheres to a rigorous sampling and testing protocol at its Little Falls laboratory facilities. The water produced at each stage of the treatment and purification process is monitored continuously for various characteristics to provide assurance of water quality. This surveillance program also extends to regular sampling and testing of water in the Passaic River, the tributary streams that flow into the river, the Commission's reservoirs, the Wanaque North water supplied by NJDWSC and the distribution system. As a result, the Commission has only been required on two occasions since 1981 to notify its customers of minor violations of water standards established by Federal or state law. The Commission promptly corrected the conditions which give rise to such violation.

The water which the Commission receives from the Wanaque North system is treated by the NJDWSC at its filtration works.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**A. Basis of Presentation**

The financial statements of the Passaic Valley Water Commission have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governmental units. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, accountability or other purposes. The Governmental Accounting Standards Board GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant of the Commission's accounting policies are described below.

On January 1, 2012, the Commission adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which amends the net asset reporting requirement of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows from resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The classifications of net position are defined as follows:

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

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES; (continued)**

**A. Basis of Presentation, (continued)**

- *Restricted* - This component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that do not meet the definition of “restricted” or “net investment in capital assets.”

**B. Basis of Accounting**

The Passaic Valley Water Commission prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

**C. Grants**

Grants receivable, if any, represent the total grant awards less amounts collected to date. Grants, if any, not internally restricted and utilized to finance operations are identified as non-operating revenue. Grants externally restricted for non-operating purposes are recorded as contributed capital and identified as grants-in-aid.

**D. Inventories of Materials and Supplies**

Inventories are valued at the lower of cost (first-in, first-out basis) or market. Inventories consist primarily of chemicals, pipes, fittings, meters, valves and various other plumbing materials and supplies.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**E. Property, Plant and Equipment**

Property, Plant and Equipment is stated at cost which includes direct construction costs and other expenditures related to construction. Land is stated at approximate fair market value as of the date it was donated to the Commission.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and placed into operation.

Depreciation is determined on a straight-line basis for all plant and equipment. Depreciation is provided over the following estimated useful lives:

Building and Improvements	20-50 Years
Water Mains and Interceptors	50 Years
Machinery and Equipment	10-20 Years
Furniture and Fixtures	5 Years
Vehicles	5-10 Years

Depreciation on assets acquired with grants-in-aid and contributed capital assets is recorded as a reduction of contributed capital.

	Balance Dec.31, 2020	Net Additions	Deletions	Balance Dec.31, 2021
Land	\$33,260,191	\$	\$	\$33,260,191
Infrastructure & Improvements	371,959,020	19,947,732		391,906,752
Machinery, Vehicles & Equipment	<u>12,166,531</u>	<u>3,181,857</u>	<u>674,666</u>	<u>14,673,722</u>
	417,385,742	23,129,589	674,666	439,840,665
Less: Accumulated Depreciation	<u>(193,722,023)</u>	<u>(12,276,670)</u>	<u>(384,903)</u>	<u>(205,613,790)</u>
Property, Plant and Equipment, Net	<u>\$223,663,719</u>	<u>\$10,852,919</u>	<u>\$289,763</u>	<u>\$234,226,875</u>



**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**E. Property, Plant and Equipment, (continued)**

	Balance <u>Dec.31, 2019</u>	Net <u>Additions</u>	<u>Deletions</u>	Balance <u>Dec.31, 2020</u>
Land	\$33,260,191	\$	\$	\$33,260,191
Infrastructure & Improvements	347,586,812	24,372,208		371,959,020
Machinery, Vehicles & Equipment	<u>10,444,292</u>	<u>2,725,176</u>	<u>1,002,937</u>	<u>12,166,531</u>
	391,291,295	27,097,384	1,002,937	417,385,742
Less: Accumulated Depreciation	<u>(181,543,579)</u>	<u>(12,936,194)</u>	<u>(757,750)</u>	<u>(193,722,023)</u>
Property, Plant and Equipment, Net	<u>\$209,747,716</u>	<u>\$14,161,190</u>	<u>\$245,187</u>	<u>\$223,663,719</u>

**F. Restricted Accounts**

In accordance with the bond resolution as amended and supplemented, the Commission has established the following cash and investment accounts for the deposit, in the priority of the order shown as follows, of all revenue received by the Commission:

**Construction Account**

Proceeds of all new money bond issues for capital improvement and expansion programs for the enhancement and extension of the Commission's water supply system.

**Bond Reserve Account**

An amount equal to the greatest bond service requirement of any future fiscal year for any bond not covered by bond service insurance.

**Bond Renewal and Extension Account**

An amount reasonably necessary, with respect to the facilities, for major repairs, renewals and replacements or maintenance not recurring annually.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**F. Restricted Accounts, (continued)**

Operating Reserve Account

An amount to provide a reserve for Operating Fund requirements.

Bond Service Account

An amount equal to unpaid interest and principal during the following fiscal year.

In addition to the accounts required by the 1992 bond resolution, the Commission has established the following additional operational investment accounts:

Contingency and Self-Insurance Reserve Fund

Amounts set aside to provide funds for contingencies concerning the self-insurance requirements of the Commission.

Meter Deposits Reserve Fund

Amounts set aside representing meter deposits collected from customers.

In addition to the above, the Commission has also established the following restricted accounts:

Unemployment Compensation Insurance Account

Employee and employer contributions are transferred to this account for payment of unemployment compensation claims paid by the State Department of Labor and billed to the Commission.

**G. Deferred Outflows and Deferred Inflows of Resources**

The Statement 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.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**G. Deferred Outflows and Deferred Inflows of Resources, (continued)**

Transactions are classified as deferred outflows of resources and deferred inflow 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 - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Commission's proportion of expenses and liabilities to the pension as a whole, differences between the Commission's pension contribution and its proportionate share of contributions, and the Commission's pension contributions subsequent to the pension valuation measurement date.

Deferred Loss on Refunding of Bonds - Deferred loss on refunding arising from the issuance of revenue refunding bonds, is recorded as a deferred outflow of resources. The deferred loss is amortized in a systematic and rational method as a component of interest expense.

Bond Discounts/Bond Premiums - Bond discounts/bond premiums arising from the issuance of long-term debt (bonds) are amortized over the life of the bonds, in a systematic and rational method, from the issue date to maturity as a component of interest expense.

**H. Operating Fund Budget**

The budget amounts included in the statement of budget revenues and statement of budget expenditures were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Commissioners after legal advertisement and public hearing.

**I. Use of Estimates**

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**I. Use of Estimates, (continued)**

of revenues and expenses during the reporting period. The Commission uses estimates in determining the allowance for uncollectible receivables due to/from water bank and the useful life of depreciable assets. Actual results could differ from those estimates.

**J. Sick and Vacation Leave**

Commission employees are granted carrying amounts of sick leave in accordance with the Commission's personnel policy and union agreements.

**K. Net Position**

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of reserves. Net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. 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.

**L. Income Taxes**

The Commission is exempt by law from federal and state income taxes and, therefore, no provision or liability for income taxes has been included in these financial statements.

**M. Impairment of Long-Lived Assets**

The Commission has adopted the guidelines of GASB Statement No. 42, *Accounting and Financial Reporting for Impairment of Capital Assets and for Insurance Recoveries*. GASB No. 42, long-lived assets, or asset groups and certain identifiable intangible assets to be held and used are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable. Determination of recoverability is based on an estimate of undiscounted cash flows resulting from the use of the asset, or asset

**PASSAIC VALLEY WATER COMMISSION**  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**M. Impairment of Long-Lived Assets, (continued)**

groups and its eventual disposition. Measurement of an impairment loss for long-lived assets, or asset groups, and certain identifiable intangible assets that management expects to hold and use is based on the fair value of the asset. Long-lived assets, or asset groups and certain identifiable intangible assets to be disposed of are reported at the lower of carrying amount or fair value less costs to sell.

**N. Recent Accounting Pronouncements**

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance. The primary objective of this Statement is to provide temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. That objective is accomplished by postponing the effective dates of certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The effective dates of certain provisions contained in the following pronouncements are postponed by one year: Statement No. 83, *Certain Asset Retirement Obligations*; Statement No. 84, *Fiduciary Activities*; Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*; Statement No. 89, *Accounting for Interest Cost Incurred before the End of a Construction Period*; Statement No. 90, *Majority Equity Interests*; Statement No. 91, *Conduit Debt Obligations*; Statement No. 92, *Omnibus 2020*; Statement No. 93, *Replacement of Interbank Offered Rates*; Implementation Guide No. 2017-3, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (and Certain Issues Related to OPEB Plan Reporting)*; Implementation Guide No. 2018-1, *Implementation Guidance Update—2018*; Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*; Implementation Guide No. 2019-2, *Fiduciary Activities*. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, *Leases*; Implementation Guide No. 2019-3, *Leases*. The requirements of this Statement are effective immediately.

**PASSAIC VALLEY WATER COMMISSION  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**N. Recent Accounting Pronouncements, (continued)**

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 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 requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Commission is still determining the effects, if any, this statement will have on future financial statements.

In June 2020, the Government Accounting Standards Board issued GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32*. 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 requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB

**PASSAIC VALLEY WATER COMMISSION  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**N. Recent Accounting Pronouncements, (continued)**

plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph 3 of Statement 74, respectively, are effective immediately. The requirements of this Statement that are related to the accounting and financial reporting for Section 457 plans are effective for fiscal years beginning after June 15, 2021. For purposes of determining whether a primary government is financially accountable for a potential component unit, the requirements of this Statement that provide that for all other arrangements, the absence of a governing board be treated the same as the appointment of a voting majority of a governing board if the primary government performs the duties that a governing board typically would perform, are effective for reporting periods beginning after June 15, 2021. Earlier application of those requirements is encouraged and permitted by requirement as specified within this Statement. The Board considered the effective dates for the requirements of this Statement in light of the COVID-19 pandemic and in concert with Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The Commission is currently reviewing what effect, if any, this Statement might have on future financial statements.

In October 2021, the Government Accounting Standards Board issued GASB Statement No. 98, *The Annual Comprehensive Financial Report*. This Statement establishes the term annual comprehensive financial report and its acronym ACFR. That new term and acronym replace instances of comprehensive annual financial report and its acronym in generally accepted accounting principles for state and local governments. The requirements of this Statement are effective for fiscal years ending after December 15, 2021, though earlier application is encouraged. The Commission has reviewed this Statement and does not believe it will impact future financial reporting.

In April 2022, the Government Accounting Standards Board issued GASB 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 practice issues addressed by this Statement are as follows:

**PASSAIC VALLEY WATER COMMISSION  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**N. Recent Accounting Pronouncements, (continued)**

- Classification and reporting of derivative instruments within the scope of Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, Leases, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.
- Clarification of provisions in Statement No. 94, Public-Private and Public-Public Partnerships and Availability Payment Arrangements, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, Subscription-Based Information Technology Arrangements, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government



**PASSAIC VALLEY WATER COMMISSION  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**N. Recent Accounting Pronouncements, (continued)**

- Clarification of provisions in Statement No. 34, Basic Financial Statements- and Management's Discussion Analysis- for State and Local Governments, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position.
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmentary 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 upon issuance.
- The requirements related to leases, PPPs, and SBITA's are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

The Commission is determining the effects, if any, this statement will have on future financial statements.

In June 2022, the Government Accounting Standards Board issued GASB Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. This Statement defines *accounting changes* as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. The requirements of this Statement are effective for accounting changes and error corrections made in fiscal years beginning after June 15, 2023, and all reporting periods thereafter. The Commission is determining what effects, if any, this pronouncement will have on future financial statements.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)**

**N. Recent Accounting Pronouncements, (continued)**

In June 2022, the Government Accounting Standards Board issued GASB Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. The Commission is determining what effects, if any, this pronouncement will have on future financial statements.

**NOTE 3. CASH AND CASH EQUIVALENTS**

Cash and cash equivalents include petty cash, change funds, 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.

N.J.S.A. 17:9-41 et. seq. establishes that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks 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 full amount of their deposits to the Governmental Units.

In addition to the above collateral requirement, if the public funds deposited exceed 75% of the capital funds of the depository, the depository must provide collateral having a market value at least equal to 100% of the amount exceeding 75%.

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

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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(CONTINUED)**

**NOTE 3. CASH AND CASH EQUIVALENTS, (continued)**

As of December 31, 2021, the Commission's cash and cash equivalents are summarized as follows:

	<u>2021</u>	<u>2020</u>
Unrestricted	\$9,852,340	\$19,461,051
Restricted	<u>30,911,437</u>	<u>24,746,548</u>
	<u>\$40,763,777</u>	<u>\$44,207,599</u>

The carrying amount of the Commission's cash and cash equivalents at December 31, 2021 was \$40,763,777 and the bank balance was \$46,780,189. This entire amount was covered by federal depository insurance and the collateral pool maintained by the banks as required by New Jersey Statutes.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Commission's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2021, \$0- of the Commission's bank balance of \$50,847,348 was exposed to custodial risk.

**NOTE 4. INVESTMENTS**

The Commission invests the Funds (i) with any New Jersey banking institution covered by GUDPA and (ii) in short-term obligations of New Jersey government agencies and entities outlined in Local Finance Board 2017-24 which have (A) a final maturity date that is not longer than 12 months from the date of purchase in the case of any funds that are subject to the General Bonds Resolution and 397 days of otherwise (but if longer than 12 months, the maturity shall approximate the prospective uses of the funds invested) and (B) a minimum issuer investment grade rating of "A3" or "A-" (or equivalent) by Moody's, Standard and Poor's, or Fitch or a recent bond issue so rated. A rating of the bonds or notes is not required. The phrase "short-term obligations" includes bonds which have a maturity or redemption date of no longer than 12 months from the date of purchase. the Commission jointly purchases such investment with any municipality, county or authority that is authorized to make such investments.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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(CONTINUED)**

**NOTE 4. INVESTMENTS, (continued)**

The Passaic Valley Water Commission had the following investments valued at cost, which approximates fair value, at December 31, 2021 and 2020, respectively:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Face Amount</u>	<u>Investment Maturities (in years)</u>		
			<u>&lt;1</u>	<u>1-5</u>	<u>&gt;5</u>
<u>2021</u>					
Government and Other Bonds	\$5,174,936	\$5,174,936	\$5,174,936	-	-
	<u>5,174,936</u>	<u>5,174,936</u>	<u>5,174,936</u>	<u>-</u>	<u>-</u>
<u>2020</u>					
Government and Other Bonds	\$12,366,735	\$12,366,735	\$12,366,735	-	-
	<u>12,366,735</u>	<u>12,366,735</u>	<u>12,366,735</u>	<u>-</u>	<u>-</u>

**Interest Rate Risk**

The Commission has a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk**

New Jersey Statutes 40A:5-15.1(a) limits municipal investment maturities to those specified in the Statutes. The type of allowance investments are Bonds of the United States of America or the local unit or school districts of which the local unit is part of: obligations of federal agencies not exceeding 397 days; government money market mutual funds; the State of New Jersey Cash Management Plan; local government investment pools; municipal notes; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The Commission places a \$5,000,000 limit on the amount it may invest in any one issuer.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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(CONTINUED)**

**NOTE 5. NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST**

The Commission issued bonds in 2017 through the Trust to finance various construction and improvement projects. The proceeds of the Bonds are held by the Trust until the Commission expends funds on the project. The Commission then submits for reimbursement these expenditures from the Trust. The following is the remaining amount of funds to be received from the Trust:

	Balance <u>Dec.31, 2020</u>	Issued	Less: Amounts Received	Balance <u>Dec.31, 2021</u>
Project No. 1605002-25A	\$715,018	\$	\$	\$715,018
Project No. 1605002-25B	5,417,061		1,105,183	4,311,878
Project No. 1605002-25B (Prin. Forgiveness)	<u>1,964,416</u>	—	<u>400,778</u>	<u>1,563,638</u>
	<u>\$8,096,495</u>	<u>\$0</u>	<u>\$1,505,961</u>	<u>\$6,590,534</u>

	Balance <u>Dec.31, 2019</u>	Issued	Less: Amounts Received	Balance <u>Dec.31, 2020</u>
Project No. 1605002-25A	\$946,490	\$	\$231,472	\$715,018
Project No. 1605002-25B	10,981,002		5,563,941	5,417,061
Project No. 1605002-25B (Prin. Forgiveness)	<u>3,982,095</u>	—	<u>2,017,679</u>	<u>1,964,416</u>
	<u>\$15,909,587</u>	<u>\$0</u>	<u>\$7,813,092</u>	<u>\$8,096,495</u>

These funds shall be disbursed to the Commission under the terms of its loan agreements with the New Jersey Environmental Infrastructure Trust.

**PASSAIC VALLEY WATER COMMISSION**  
**NOTES TO FINANCIAL STATEMENTS, CONTINUED**  
**FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020**  
**(CONTINUED)**

**NOTE 6. LONG-TERM DEBT**

The Commission has issued and has outstanding the following bonds as of December 31, 2021 and 2020:

	<u>2020</u>	<u>Issued</u>	<u>Paid/ Refunded</u>	<u>2021</u>
Series 2001A&B NJ Environmental Infrastructure Trust Bonds	\$4,132,987	\$	\$4,132,987	\$0
Series 2002A&B NJ Environmental Infrastructure Trust Bonds	307,430		149,904	157,526
Series 2003 Refunding Bonds	8,150,000		3,975,000	4,175,000
Series 2007A&B NJ Environmental Infrastructure Trust Bonds	914,655		263,899	650,756
Series 2009B Revenue Bonds	12,185,000		-	12,185,000
Series 2010A&B NJ Environmental Infrastructure Trust Bonds	1,888,502		318,723	1,569,779
Series 2014 Revenue Bonds	15,610,000		910,000	14,700,000
Series 2015 Refunding Bonds	5,910,000		1,110,000	4,800,000
Series 2017 NJ Environmental Infrastructure Trust Bonds	22,329,090		858,811	21,470,279
Series 2017A Refunding Bonds	1,925,000		450,000	1,475,000
Series 2017B Refunding Bonds	<u>14,770,000</u>		<u>1,485,000</u>	<u>13,285,000</u>
Net Carrying Amount of Debt	<u>\$88,122,664</u>	<u>\$0</u>	<u>\$13,654,324</u>	<u>\$74,468,340</u>
Current Portion	13,483,324			9,700,205
Long-Term Portion	<u>74,639,340</u>			<u>64,768,135</u>
	<u>\$88,122,664</u>			<u>\$74,468,340</u>
	<u>2019</u>	<u>Issued</u>	<u>Paid/ Refunded</u>	<u>2020</u>
Series 2001A&B NJ Environmental Infrastructure Trust Bonds	\$8,161,852	\$	\$4,028,866	\$4,132,986
Series 2002A&B NJ Environmental Infrastructure Trust Bonds	445,015		137,585	307,430
Series 2003 Refunding Bonds	11,935,000		3,785,000	8,150,000
Series 2007A&B NJ Environmental Infrastructure Trust Bonds	1,110,764		196,109	914,655
Series 2009A Revenue Bonds	425,000		425,000	0
Series 2009B Revenue Bonds	12,185,000			12,185,000
Series 2009C Revenue Bonds	995,000		995,000	0
Series 2010A&B NJ Environmental Infrastructure Trust Bonds	2,091,225		202,723	1,888,502
Series 2014 Revenue Bonds	16,485,000		875,000	15,610,000
Series 2015 Refunding Bonds	6,975,000		1,065,000	5,910,000
Series 2017 NJ Environmental Infrastructure Trust Bonds	23,187,902		858,811	22,329,091
Series 2017A Refunding Bonds	1,925,000			1,925,000
Series 2017B Refunding Bonds	<u>15,185,000</u>		<u>415,000</u>	<u>14,770,000</u>
Net Carrying Amount of Debt	<u>\$101,106,758</u>	<u>\$0</u>	<u>\$12,984,094</u>	<u>\$88,122,664</u>
Current Portion	12,233,872			12,984,094
Long-Term Portion	<u>88,872,886</u>			<u>75,138,570</u>
	<u>\$101,106,758</u>			<u>\$88,122,664</u>

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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**NOTE 6. LONG-TERM DEBT, (continued)**

Presented below is a summary of debt service requirements to maturity.

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$9,700,205	\$2,529,335	\$12,229,540
2023	4,985,146	2,144,229	7,129,375
2024	5,057,534	1,984,994	7,042,528
2025	5,246,535	1,815,810	7,062,345
2026	5,436,534	1,621,567	7,058,101
2027-2031	20,600,218	5,555,647	26,155,865
2032-2036	11,649,056	2,498,734	14,147,790
2037-2041	7,499,056	509,473	8,008,529
2042-2046	<u>4,294,056</u>		<u>4,294,056</u>
	<u>\$74,468,340</u>	<u>\$18,659,789</u>	<u>\$93,128,129</u>

**Series 2002A&B Environmental Infrastructure Trust Bonds**

Due to unanticipated cost increases in the Project, the Commission requested and received additional funding from the NJEIT in the form of two additional loans. These loans were issued in December 2002 and are due August 21, 2021.

The first loan (Series 2002A) was for \$8,227,632, of which \$4,227,632 is a non-interest bearing Fund Loan payable in semi-annual installments and due August 1, 2021. This Fund Loan was adjusted \$1,046,046 by the NJ Bureau of Administration and Management for the remaining unspent portion of the Project (adjusted from the back-end of the loan). The remaining portion of the 2002A loan was a \$4,000,000 Trust Loan payable in semi-annual installments and due August 1, 2021.

At December 31, 2021, the Trust and Fund portions were as follows:

<u>Year</u>	<u>Series 2002A (Project 05-1)</u>		<u>Total</u>
	<u>Trust Portion</u>		
	<u>Principal</u>	<u>Interest</u>	
2022	<u>\$140,515</u>	<u>\$10,010</u>	<u>\$150,525</u>
	<u>\$140,515</u>	<u>\$10,010</u>	<u>\$150,525</u>

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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**NOTE 6. LONG-TERM DEBT, (continued)**

**Series 2002A&B Environmental Infrastructure Trust Bonds, (continued)**

The second loan (Series 2002B) was for \$1,054,281, of which \$539,281 is a non-interest bearing Fund Loan payable in semi-annual installments and due August 1, 2021. This Fund Loan was adjusted \$138,493 by the NJ Bureau of Administration and Management for the remaining unspent portion of the Project (adjusted from the back-end of the loan). The remaining portion of the 2001B loan was a \$515,000 Trust Loan payable in semi-annual installments and due August 1, 2021.

At December 31, 2021, the Trust and Fund portions were as follows:

	<u>Series 2002B (Project 02-1)</u>		
	<u>Trust Portion</u>		
<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>\$17,011</u>	<u>\$1,248</u>	<u>\$18,259</u>
	<u>\$17,011</u>	<u>\$1,248</u>	<u>\$18,259</u>

**Series 2003 Water Supply System Revenue Refunding Bonds**

On February 15, 2004, the Commission issued Series 2003 Water Supply System Revenue Refunding Bonds in the amount of \$35,880,000 for: (i) the retirement and refunding of 1993 Water Supply Revenue Refunding Bonds; (ii) the funding of the Bond Reserve Requirement; and (iii) costs of issuance.

At December 31, 2021, the principal and interest outstanding on the Series 2003 Bonds was as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	<u>4,175,000</u>	<u>208,750</u>	<u>4,383,750</u>
	<u>\$4,175,000</u>	<u>\$208,750</u>	<u>\$4,383,750</u>



**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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**NOTE 6. LONG-TERM DEBT, (continued)**

**Series 2007A&B NJ Environmental Infrastructure Trust Bonds**

On November 9, 2007, the Commission funded the improvements to New Jersey Environmental Infrastructure Trust \$3,615,780. These bonds were issued for the purpose of: (i) the cleaning and lining water mains in Paterson; (ii) a water transmission main in Lodi; (iii) the retirement of the outstanding Series 2001A&B and Series 2002A&B Bonds (Trust portion only, adjusted for the remaining unspent portion via savings credit); (iv) the funding of the Bond Reserve Requirement; and (v) costs of issuance.

At December 31, 2021, the outstanding principal and interest on the Series 2007A&B NJEIT Bonds is as follows:

<u>Year</u>	<u>Series 2007A&amp;B</u>		<u>Principal</u>	<u>Total</u>
	<u>Trust Portion</u>			
	<u>Principal</u>	<u>Interest</u>		
2022	\$65,000	\$22,888	\$124,143	212,031
2023	70,000	19,138	76,613	165,751
2024	75,000	15,738		90,738
2025	75,000	11,913		86,913
2026	80,000	8,088		88,088
2027	85,000	4,038		89,038
	<u>\$450,000</u>	<u>\$81,803</u>	<u>\$200,756</u>	<u>\$732,559</u>

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 6. LONG-TERM DEBT, (continued)**

**Series 2009A, B & C Water Supply System Revenue Bonds**

On December 15, 2009, the Commission issued Series 2009A, B & C Water Supply System Revenue Bonds in the amount of \$38,500,000 to finance: (1) various capital improvements to the Commission's System, including paying the acquisition price of an easement; (2) deposits to the Commission's Bonds Reserve Fund, Operating Fund Reserve Account and Renewal and Extension Fund to increase the amounts therein to amounts equal to the Bond Reserve Requirement, the Operating Fund Reserve Account Requirement, and the System Reserve Requirement, respectively; and (3) the payment of the costs associated with the issuance of such Bonds. On September 27, 2017, the Series 2009A and 2009C bonds were partially refunded with the issuance of Series 2017A and 2017B Water Supply Refunding Bonds.

At December 31, 2021, the outstanding principal and interest on the Series 2009 B Water Supply System Revenue Bonds is as follows:

<u>Year</u>	<u>Series 2009B</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2022		\$945,080	945,080
2023		945,080	945,080
2024		945,080	945,080
2025	\$565,000	945,080	1,510,080
2026	595,000	902,309	1,497,309
2027	620,000	857,268	1,477,268
2028	650,000	810,334	1,460,334
2029	685,000	761,129	1,446,129
2030	720,000	709,274	1,429,274
2031	755,000	652,970	1,407,970
2032	795,000	593,929	1,388,929
2033	835,000	531,760	1,366,760
2034	875,000	466,463	1,341,463
2035	920,000	398,038	1,318,038
2036	965,000	326,094	1,291,094
2037	1,015,000	250,631	1,265,631
2038	1,070,000	171,258	1,241,258
2039	1,120,000	87,584	1,207,584
	<u>\$12,185,000</u>	<u>\$11,299,361</u>	<u>\$23,484,361</u>

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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(CONTINUED)**

**NOTE 6. LONG-TERM DEBT, (continued)**

**Series 2010A&B NJ Environmental Infrastructure Trust Bonds**

On October 5, 2010 and November 23, 2010, the Commission funded various improvements through the New Jersey Environmental Infrastructure Trust in the amount of \$5,390,000. These bonds were issued to provide for, among other things (1) the financing of costs of renovations, additions and improvements to the System; including specifically (i) cleaning and lining over 22,000 linear feet of 6", 8" and 12" water mains in the City of Passaic; (ii) approximately 5,100 linear feet of new 12" ductile iron water main to improve the hydraulics of their distribution system; and (iii) replacement of approximately 3,000 linear feet of 12" water main; (2) to provide security for loan(s) from the New Jersey Environmental Infrastructure Trust; and (3) the payment of the costs associated with the issuance of such bonds. Of this \$5,390,000, \$1,357,500 of principal was forgiven by a grant through the American Recovery and Reinvestment Act ("ARRA") of 2009. On April 12, 2013, \$335,000 of the trust loan was deobligated and used to defease a portion of the Series 2010B Bonds.

At December 31, 2021, the outstanding principal and interest on the Series 2010A&B NJEIT Bonds is as follows:

<u>Year</u>	<u>Series 2010A&amp;B</u>		<u>Fund Portion</u>	<u>Total</u>
	<u>Trust Portion</u>			
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	
2022	\$132,000	\$62,000	\$72,723	266,723
2023	137,000	54,750	72,723	264,473
2024	146,000	47,250	72,723	265,973
2025	150,000	39,250	72,723	261,973
2026	160,000	31,000	72,723	263,723
2027	164,000	22,250	72,723	258,973
2028	172,000	13,250	4,441	189,691
2029	68,000	3,750		71,750
	<u>\$1,129,000</u>	<u>\$273,500</u>	<u>\$440,779</u>	<u>\$1,843,279</u>

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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(CONTINUED)**

**NOTE 6. LONG-TERM DEBT, (continued)**

**Series 2014 Water Supply System Revenue Bonds**

On June 16, 2014, the Commission issued Series 2014 Water Supply System Revenue Bonds in the amount of \$20,470,000 to finance: (1) various capital improvements to the Commission's water treatment and distributing system, including, among other things, construction and replacement of water supply system components, including cleaning and lining of water lines; main, valve and meter replacements; equipment upgrades to the water plant; acquisition of vehicles and equipment; dam improvements; improvements to pump station systems and hydro-turbine generators; design and project costs for water main replacements; upgrades to instrumentation and control systems; and costs related thereto; and (2) the payment of the costs associates with the issuance of such bonds.

At December 31, 2021, the outstanding principal and interest of the Series 2014 Bonds is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$955,000	\$617,137	1,572,137
2023	995,000	578,938	1,573,938
2024	1,045,000	529,187	1,574,187
2025	1,095,000	476,938	1,571,938
2026	1,150,000	422,187	1,572,187
2027	1,210,000	364,688	1,574,688
2028	1,245,000	326,875	1,571,875
2029	1,290,000	286,413	1,576,413
2030	1,350,000	221,912	1,571,912
2031	1,400,000	176,350	1,576,350
2032	1,445,000	127,350	1,572,350
2033	1,520,000	55,100	1,575,100
	<u>\$14,700,000</u>	<u>\$4,183,075</u>	<u>\$18,883,075</u>

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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(CONTINUED)**

**NOTE 6. LONG-TERM DEBT, (continued)**

**Series 2015 Water Supply Refunding Bonds**

On November 5, 2015, the Commission issued Series 2015 Water Supply Refunding Bonds in the amount of \$10,195,000 to finance: (i) the retirement and refunding of the Series 2005 Water Supply System Revenue Refunding Bonds and the Series 2007C Water Supply System Revenue Bonds; (ii) the funding of the Bond Reserve requirement; and (iii) costs of issuance.

At December 31, 2021, the outstanding principal and interest of the Series 2015 Bonds is as follows:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2022	\$1,175,000	\$221,650	1,396,650
2023	730,000	162,900	892,900
2024	755,000	126,400	881,400
2025	800,000	88,650	888,650
2026	845,000	48,650	893,650
2027	<u>495,000</u>	<u>14,850</u>	<u>509,850</u>
	<u>\$4,800,000</u>	<u>\$663,100</u>	<u>\$5,463,100</u>

**Series 2017 New Jersey Environmental Infrastructure Trust Bonds**

On June 19, 2017, the Commission funded two projects, \$1,919,884 (Project No. 1605002-025A) and \$29,760,707 (Project No. 1605002-025B), through the New Jersey Environmental Infrastructure Trust through the issuance of Series 2017 Bonds. Of the \$29,760,707, \$7,920,148 of principal was forgiven by a grant through the U.S. Department of Housing and Urban Development, Hurricane Sandy Community Development Bond Grant: Disaster Recovery Grant.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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(CONTINUED)**

**NOTE 6. LONG-TERM DEBT, (continued)**

At December 31, 2021, the outstanding principal and interest of the Series 2017 NJEIT Bonds is as follows:

**Series 2017 New Jersey Environmental Infrastructure Trust Bonds, (continued)**

<u>Year</u>	<u>Series 2017</u>		<u>Total</u>
	<u>1605002-025A</u>	<u>1605002-025-B</u>	
	<u>Principal</u>	<u>Principal</u>	
2022	\$69,394	\$789,418	858,812
2023	69,393	789,417	858,810
2024	69,393	789,418	858,811
2025	69,394	789,418	858,812
2026	69,393	789,418	858,811
2027	69,393	789,417	858,810
2028	69,394	789,418	858,812
2029	69,393	789,418	858,811
2030	69,393	789,418	858,811
2031	69,394	789,417	858,811
2032	69,394	789,418	858,812
2033	69,393	789,418	858,811
2034	69,394	789,418	858,812
2035	69,393	789,417	858,810
2036	69,393	789,418	858,811
2037	69,394	789,418	858,812
2038	69,393	789,418	858,811
2039	69,393	789,417	858,810
2040	69,394	789,418	858,812
2041	69,393	789,418	858,811
2042	69,393	789,418	858,811
2043	69,394	789,417	858,811
2044	69,393	789,418	858,811
2045	69,393	789,418	858,811
2046	69,394	789,418	858,812
	<u>\$1,734,835</u>	<u>\$19,735,444</u>	<u>\$21,470,279</u>

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 6. LONG-TERM DEBT, (continued)**

**Series 2017A&B Water Supply Refunding Bonds**

On September 27, 2017, the Commission issued Series 2017A&B Water Supply Refunding Bonds in the amount of \$1,925,000 and \$16,000,000 to (1) advance refund a portion of the Commission's outstanding Water Supply System Revenue Bonds, Series 2009A in the aggregate principal amount of \$1,965,000; (2) advance refund a portion of the Commission's outstanding Water Supply System Revenue Bonds, Series 2009C in the aggregate principal amount of \$13,260,000; (3) fully fund the Bond Reserve Fund equal to the Bond Reserve Requirement; and (4) pay for certain costs associated with the issuance of these bonds.

At December 31, 2021, the outstanding principal and interest on the Series 2017A&B Bonds is as follows:

Year	Series 2017A		Series 2017B		Total
	Principal	Interest	Principal	Interest	
2022	\$470,000	\$73,750	\$1,515,000	\$366,822	2,058,750
2023	490,000	50,250	1,555,000	333,173	2,095,250
2024	515,000	25,750	1,590,000	295,589	2,130,750
2025			1,630,000	253,979	1,630,000
2026			1,675,000	209,333	1,675,000
2027			1,720,000	161,780	1,720,000
2028			1,775,000	111,229	1,775,000
2029			1,825,000	57,287	1,825,000
	<u>\$1,475,000</u>	<u>\$149,750</u>	<u>\$13,285,000</u>	<u>\$1,789,192</u>	<u>\$16,698,942</u>

**NOTE 7. CAPITALIZED LEASE PAYABLE - LODI WATER SYSTEM**

In July of 1997, a 30 year lease agreement between the Commission and the Borough of Lodi took effect. The lease agreement conveyed the real and personal property, plants, structures, including reservoirs, pumping stations, water distribution systems, sources of water supplies, connections, rights of flowage or diversion and all other rights therein owned by Lodi in connection with its water distribution system (hereinafter collectively referred to as the System) to the Commission. The lease also requires the Commission to manage, operate and maintain the System in an efficient and economical manner in accordance with its terms and otherwise in accordance with prudent industry and utility practices.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 7. CAPITALIZED LEASE PAYABLE - LODI WATER SYSTEM., (continued)**

The lease required payments to be made of \$3,200,000 in 1997, \$2,500,000 in 1998 and \$750,000 in 1999, followed by a succession of annual payments beginning in the year 2001 of \$45,000 rising to approximately \$97,000 in the year 2027.

The lease also requires the Commission to make capital expenditures and improvements to the System in each year the lease is in effect beginning with approximately \$95,000 required in 1997 and approximately \$103,000 required in 1998, and increasing each year by various amounts to a level of approximately \$250,000 required in the year 2026. As of December 31, 2008, the Commission has expended in excess of the required capital improvements.

The lease contains options for the Borough of Lodi to terminate the lease after either ten (10) years or after twenty (20) years by paying the Commission an amount sufficient to pay or defease the outstanding principal amount and premium, if any, of the 1997A Bonds then outstanding. The lease also requires the Borough of Lodi to reimburse to Commission for all capital expenditures upon termination.

Total future minimum lease payments under lease obligations at December 31, 2021 was as follows:

<u>Year</u>	<u>Required Lodi Lease Payments</u>	<u>Present Value Factor</u>	<u>Present Value of Lodi Lease Payable</u>
2022	\$83,712	86.38%	\$72,314
2023	86,224	82.27%	70,937
2024	88,811	78.35%	69,586
2025	91,475	74.62%	68,260
2026	94,219	71.07%	66,960
2027	97,046	67.68%	65,684
Lodi Lease Payable			<u>\$413,741</u>
Current Portion			72,314
Long-Term Portion			<u>341,427</u>
			<u>\$413,741</u>



**PASSAIC VALLEY WATER COMMISSION  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
 FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
 (CONTINUED)**

**NOTE 8. PENSION PLAN**

Description of Plans:

Commission employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

*Public Employees' Retirement System (PERS)*

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Comprehensive Annual Financial Report (CAFR) which can be found at [www.state.nj.us/treasury/pensions/annrpts.shtml](http://www.state.nj.us/treasury/pensions/annrpts.shtml).

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. 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 1/55<sup>th</sup> 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 1/60a of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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(CONTINUED)**

**NOTE 8. PENSION PLAN, (continued)**

Benefits Provided, (continued)

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

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

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

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

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012 of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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(CONTINUED)**

**NOTE 8. PENSION PLAN, (continued)**

Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

Annual Pension Costs (APC)

Per the requirements of GASB Statement No. 27 for the year ended June 30, 2012 for PERS, which is a cost sharing multi-employer defined benefit pension plan, the annual pension cost equals contributions made. PERS employer contributions are made annually by the Commission to the pension system in accordance with Chapter 114, P.L. 1997. In the DCRP, which is a defined contribution plan, member contributions are matched by a 3% employer contribution.

<u>Three Year Trend Information for PERS</u>			
<u>Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
12/31/21	\$2,458,980	9.48%	\$25,929,140
12/31/20	2,143,995	6.14%	34,916,809
12/31/19	1,990,263	5.32%	37,383,392

<u>Three Year Trend Information DCRP</u>	
<u>Year</u>	<u>DCRP Contributions</u>
12/31/21	\$104,312
12/31/20	313,807
12/31/19	153,732

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68**

**Public Employees Retirement System (PERS)**

At December 31, 2021 and 2020, the Commission reported a liability of \$25,929,140 and \$34,916,809, respectively, for its proportionate share of the net pension liability. The net pension liability 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 that date. 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 governments, actuarially determined. At June 30, 2021, the Commission's proportion was 0.2188759702 percent, which was an increase of 0.004759426 percent from its proportion measured as of June 30, 2020.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 8. PENSION PLAN, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE  
FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

For the years ended December 31, 2021 and 2020, the Commission recognized pension expense (benefit) of \$(2,006,023) and \$2,845,954, respectively. At December 31, 2021, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>2021</u>	<u>2020</u>
Deferred Outflows of Resources:		
Changes of assumptions	\$135,039	\$1,132,741
Net difference between projected and actual earnings on pension plan investments	408,936	1,829,263
Changes in proportion and differences between the Commission's contributions and proportionate share of contributions	3,767,798	4,461,633
Commission contributions subsequent to the measurement date	<u>2,805,102</u>	<u>2,718,560</u>
Total	<u>\$7,116,875</u>	<u>\$10,142,197</u>
Deferred Inflows of Resources:		
Net difference between projected and actual earnings on pension plan investments	\$16,246,981	\$14,743,479
Changes in proportion and differences between Commission contributions and proportionate share of contributions	321,126	518,137
Other deferred pension adjustments	<u>906,997</u>	<u>686,035</u>
Total	<u>\$17,475,104</u>	<u>\$15,947,651</u>

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 8. PENSION PLAN, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE  
FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2021) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

	<u>2021</u>	<u>2020</u>
Year ended December 31:		
2021		(4,381,421)
2022	(6,118,148)	(3,994,524)
2023	(4,368,343)	(2,282,768)
2024	(2,978,465)	(923,113)
2025	(2,238,920)	(199,650)
2026	870	

**Changes in Proportion**

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.13, 5.16, 5.21, 5.63, 5.48, 5.57, 5.72 and 6.44 years for 2021, 2020, 2019, 2018, 2017, 2016, 2015 and 2014 amounts, respectively.

**Additional Information**

Local Group Collective balances net of nonemployer (State of New Jersey) balances at December 31, 2021 and 2020 are as follows:

	<u>Dec. 31, 2021</u>	<u>Dec. 31, 2020</u>
Collective deferred outflows of resources	\$1,164,738,169	\$2,347,583,337
Collective deferred inflows of resources	8,339,123,762	7,849,949,467
Collective net pension liability	11,972,782,878	16,435,616,426
Commission's Proportion	0.2188759702%	0.2141165442%

**PASSAIC VALLEY WATER COMMISSION  
 NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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**NOTE 8. PENSION PLAN, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE  
 FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Actuarial Assumptions**

The collective total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which rolled forward to June 30, 2021. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00-6.00% (based on years of service)
Thereafter	3.00-7.00% (based on years of service)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

**Mortality Rates**

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 based on Scale MP-2021.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
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**NOTE 8. PENSION PLAN, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE  
FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Long-Term Rate of Return**

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 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 real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.09%
Non-U.S. Developed Market Equity	13.50%	8.71%
Emerging Market Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 8. PENSION PLAN, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE  
FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

**Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate**

The following presents the collective net pension liability of the participating employers as of June 30, 2021, respectively, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2021		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Commission's proportionate share of the pension liability	\$35,686,638	\$25,929,140	\$18,159,493



**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 8. PENSION PLAN, (continued)**

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE  
FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)**

**Public Employees Retirement System (PERS), (continued)**

	June 30, 2020		
	1% Decrease	At Current Discount Rate	1% Increase
	<u>5.28%</u>	<u>6.28%</u>	<u>7.28%</u>
Commission's proportionate share of the pension liability	\$44,300,069	\$34,916,809	\$27,462,397

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at [www.state.nj.us/treasury/pensions](http://www.state.nj.us/treasury/pensions).

**NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION**

On December 15, 2018, the Commission implemented the Governmental Accounting Standards Board Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. This statement requires the Commission to calculate their other postemployment benefit obligation using a method similar to the calculation used for pension obligations under GASB Statement No. 68.

The Commission currently vests employees for lifetime prescription drug coverage after 20 years of service and lifetime health benefits after 25 years of service. The Water Commission provides for no post-retirement death benefits. At the age at which the employee may begin to receive retirement benefits under the Water Commission's pension plan, the employee may retire and retain their health insurance coverage. Depending on age and years of service at retirement, the Commission will either contribute 100% for some individuals (and their spouses) or the retiree may have to pay for some or all of the coverage.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION, (continued)**

**Total OPEB Liability**

At December 31, 2021 and 2020, the Commission had a liability of \$67,933,013 and \$65,192,188, respectively, for its share of the non-special funding net OPEB liability. The net OPEB liability was measured as of December 31, 2021 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date.

For the year ended December 31, 2021, the Commission recognized OPEB expense of \$3,591,617. At December 31, 2021 and 2020, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2021</u>	<u>2020</u>
Deferred Outflows of Resources:		
Changes of assumptions	<u>\$11,647,911</u>	<u>\$15,235,144</u>
Total	<u>\$11,647,911</u>	<u>\$15,235,144</u>
Deferred Inflows of Resources:		
Net difference between projected and actual earnings on pension plan investments	<u>\$8,105,219</u>	<u>\$10,841,660</u>
Total	<u>\$8,105,219</u>	<u>\$10,841,660</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (excluding changes in proportion) will be recognized in OPEB expense as follows:

	<u>2021</u>	<u>2020</u>
Year ended December 31:		
2021	\$-0-	\$1,599,550
2022	1,786,740	1,599,550
2023	1,786,740	1,599,550
2024	(217,977)	(405,166)
2025	187,189	-0-
2026	-0-	-0-
Thereafter	-0-	-0-

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION, (continued)**

***Actual Assumptions and Other Inputs***

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

Measurement date:	December 31, 2021
Actuarial valuation date:	December 31, 2021
Actuarial cost method:	Entry Age Normal
Discount rate:	The discount rate used to measure the total OPEB liability was 2.06 percent. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to Aa 20-year municipal bonds. The GO Bond Buyer Index was used to approximate those yields as of December 31, 2021.
Mortality:	Pub-2010 General Employee Headcount - weighted with fully generational Scale MP-2021. The mortality table was updated to represent the most recent mortality table released by the Society of Actuaries specifically for government employees.
Turnover:	T5 Standard table based on professional judgment
Salary scale:	4.50% based on input from the plan sponsor
Retirement age:	As specified in the following table:

<u>Age at the Beginning of Year</u>	<u>Retirement Rate</u>	
	<u>25+ years of service</u>	<u>&lt;25 Years of Service</u>
55	50%	0%
56-64	20% per year	0%
65	100%	100%

Professional judgment was used to develop retirement probabilities.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION, (continued)**

Utilization:	80% based on input from the plan sponsor
Marital Assumption:	60% are assumed married for active population, for current retirees actual experience used.
Valuation of assets:	N/A
Trend:	Per-capita claims costs are assumed to increase annually at a rate starting at 6.5% in 2021 and decreasing linearly by 0.5% each year to an ultimate annual increase of 4.5%. Professional judgement was used for anticipated trends were expected to be 2.0% above the inflation rate.
Per Capita Claims:	Claims were developed by adjusting the underlying medical premiums for the ages of retirees compared to the underlying active populations. The adjustment was done using the morbidity adjustments in Chart 5 from the 2013 Society of Actuaries Study "Health Care Costs from Birth to Death". The Direct 10 premium of 903.94 was used to determine the portion the retired participant portion pays. The post-65 premium was \$478.48.

**Sensitivity of Net OPEB Liability to Changes in the Discount Rate**

The following presents the Commission's proportionate share of the net OPEB liability as of December 31, as well as what the Commission's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	December 31, 2021		
	1%	At Current	1%
	Decrease 1.06%	Discount Rate 2.06%	Increase 3.06%
Commission's proportionate share of Net OPEB liability	\$81,062,194	\$67,933,013	\$57,684,562

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 9. POSTEMPLOYMENT BENEFITS OTHER THAN PENSION, (continued)**

	December 31, 2020		
	1%	At Current	1%
	<u>Decrease</u>	<u>Discount Rate</u>	<u>Increase</u>
	1.12%	2.12%	3.12%
Commission's proportionate share of Net OPEB liability	\$77,816,121	\$65,192,188	\$55,326,610

**Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rates:**

The following presents the Commission's proportionate share of the net OPEB liability as of December 31, as well as what the Commission's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	December 31, 2020		
	1%	Healthcare Cost	1%
	<u>Decrease</u>	<u>Trend Rate</u>	<u>Increase</u>
Commission's proportionate share of Net OPEB liability	\$56,371,933	\$67,933,013	\$83,200,917

	December 31, 2020		
	1%	Healthcare Cost	1%
	<u>Decrease</u>	<u>Trend Rate</u>	<u>Increase</u>
Commission's proportionate share of Net OPEB liability	\$54,556,019	\$65,192,188	\$79,156,053

**NOTE 10. AMOUNTS REQUIRED BY BOND RESOLUTIONS**

The following cash and investment accounts are required by the Commission's bond resolutions:

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 10. AMOUNTS REQUIRED BY BOND RESOLUTIONS, (continued)**

**Current Debt Service**

The Commission's 1992 General Bond Resolution states that the Bond Service Requirement equal the amount of unpaid interest or principal, plus, all interest and all principal payable during a fiscal year. At December 31, 2021 and 2020, the amounts required by bond resolution were as follows:

	<u>2021</u>	<u>2020</u>
Cash and Investments on Hand	<u>\$388,841</u>	<u>\$1,505,389</u>

**Debt Service Reserve**

The 1992 General Bond Resolution states that the Commission's Bond Reserve Requirement equal the lesser of (i) 10% of the aggregate principal amount of Bonds upon original issuance or (ii) the amount equal to the Maximum Annual Debt Service. In 2005 and 2007, the Commission purchased bond service insurance policies covering the 1992, 2001A&B, 2002A&B, 2003, 2005 and 2007A&B Bonds. As a result, the Commission has amended the applicable bond resolution to allow for the use of insurance to meet it's future debt service requirement. At December 31, 2021, the amounts required by bond resolution were as follows:

	<u>Debt Service Reserve Requirement</u>	<u>Maximum Bond Surety Coverage</u>
Series 2002A&B NJEIT Bonds	30,743	631,874
Series 2003 Refunding Bonds	815,000	3,588,000
Series 2007A&B NJEIT Bonds	65,076	250,750
Series 2009B Bonds	1,120,000	
Series 2010A&B NJEIT Bonds	156,978	
Series 2014 Bonds	1,470,000	
Series 2015 Refunding Bonds	480,000	
Series 2017A&B Refunding Bonds	1,476,000	

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 10. AMOUNTS REQUIRED BY BOND RESOLUTIONS, (continued)**

In addition to the insurance policies, the Commission has reserved \$16,828,596 in cash, cash equivalents and investments for the purpose of funding future debt service requirements.

**Renewal and Extension Reserve**

The 1992 General Bond Resolution states that the Commission's Renewal and Extension Reserve equal the amount reasonably necessary as a reserve for expenses to the System for major repairs, renewals, replacements, extensions, enlargements, improvements or maintenance items of a type not recurring annually or at shorter intervals. At December 31, 2021 and 2020, the amounts required by bond resolution were as follows:

	<u>2021</u>	<u>2020</u>
Cash and Investments on Hand	\$4,001,869	\$4,050,547
Renewal and Extension Requirement	<u>4,000,000</u>	<u>3,000,000</u>
Excess (Deficit)	<u>\$1,869</u>	<u>\$1,050,547</u>

**Operations Reserve**

The 1992 General Bond Resolution states that the Commission's Operating Fund Reserve equal an amount necessary to provide one month payment for Operating Expenses for the period beginning on such withdrawal date and ending on a date which is one month subsequent thereto. At December 31, 2021 and 2020, the amounts of cash and investments on hand were as follows:

	<u>2021</u>	<u>2020</u>
Cash and Investments on Hand	<u>\$13,315,000</u>	<u>\$12,554,813</u>

**Coverage Covenant**

The Commission's 1992 General Bond Resolution also includes a covenant that, among other things, requires the Commission to estimate, make, impose, charge, revise and collect revenues for each fiscal year sufficient (i) to pay all operating expenses of the Commission in each fiscal year, (ii) provide an amount equal to 110% of the aggregate bond service requirement and sinking fund requirement for such fiscal year and (iii) provide an amount so that the Operating Fund Reserve Account and the Renewal and Extension Account are at their respective requirements.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 10. AMOUNTS REQUIRED BY BOND RESOLUTIONS, (continued)**

At December 31, 2021, the bond service coverage ratio was calculated as follows:

	<u>2021</u>	<u>2020</u>
Net Operating Income (including interest and Finance charges, excluding depreciation)	\$39,760,894	\$33,337,293
Bond Service Requirement	12,229,540	16,498,029
 Debt Service Coverage Ratio	 3.25	 2.02

All principal and interest payments were made on a timely basis during the 2021 fiscal year and through the date of this report.

**NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES**

As of December 31, 2021, the Commission's general counsel has advised that there is no pending litigation that would have a material effect on the Commission's financial statements.

The Commission has been named as a defendant or third-party defendant in various claims for damages, and claims by several administrative employees regarding employment, health hazards and pay discrimination. The Commission has also been named as a defendant in a wrongful termination claim relating to the termination of services from a contractor. Management is vigorously defending against these claims and believes the contingency and self-insurance reserve funds should be sufficient to cover any unfavorable decisions.

**NOTE 12. RISK MANAGEMENT**

The Passaic Valley Water 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. The Commission currently has Property, Liability, Worker's Compensation, Public Officials Liability and Public Employee Dishonesty insurance purchased through various policies. There has been no significant reduction in insurance coverage from the previous year nor have there been any settlements in excess of insurance coverage. As of December 31, 2021, coverage was as follows:



**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 12. RISK MANAGEMENT, (continued)**

**Property**

PVWC Deductible = \$5,000  
NJUA/MEL Coverage = \$150,000,000

**General/Auto Liability**

PVWC Liability SIR = \$250,000  
NJUA JIF Coverage = \$50,000 (excess of \$250,000)  
MEL JIF Coverage = \$700,000 (excess of \$300,000)  
Munich Re Excess Liability = \$10,000,000 (excess of \$2,000,000)  
Lexington Excess Liability (PVWC only) = \$10,000,000 (excess of \$11,000,000)

**NOTE 13. DEFERRED COMPENSATION PLAN**

Employees of the Passaic Valley Water Commission may participate in a deferred compensation plan adopted under the provisions of Internal Revenue Code Section 457 (Deferred Compensation Plans with Respect to Service for State and Local Government). The deferred compensation plan is available to all employees of the Commission. Under the plan, employees may elect to defer a portion of their salaries and avoid paying taxes on the deferred portion until the withdrawal date. The deferred compensation amount is not available for withdrawal by employees until termination, retirement, death, or unforeseeable emergency. The deferred compensation plan is administered by an unrelated financial institution. The employees' contributions to the Plan and all income attributable to those amounts have been transferred to the exclusive benefit of the participating employees and their beneficiaries.

**NOTE 14. OTHER MATTERS**

The Commission has a lease agreement with the North Jersey District Water Supply Commission/United Water New Jersey Company for the use of an intake pumping station located in Wayne. Rent is \$1 per annum plus an apportioned share, based upon square footage utilized by the Commission, of maintenance, utilities, real estate taxes and fire insurance. The approximate annual cost is \$30,000. The term of the lease is the same term as the Diversion Grant from the State of New Jersey to the North Jersey District Water Supply Commission/United Water New Jersey Company. In the event that the grant is renewed or extended, the term of the lease shall also be renewed or extended for a like period of time.

**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 14. OTHER MATTERS, (continued)**

**Storage Tank Project**

In 2015, the Commission proposed a three-phase, \$135 million project to build storage tanks at the Stanley M. Levine, New Street and Great Notch reservoirs in response to federal guidelines. All three reservoirs are located in or near public parks and, since the project's initial proposal, there has been public suggestion to find alternatives. In response, the Commission is exploring a joint project with the City of Newark to explore the feasibility of interconnecting the Great Notch and Cedar Grove Reservoirs for serving both PVWC's and the City of Newark's distribution systems while bringing both systems into compliance with the Administrative Consent Order and meeting the requirements of the Safe Drinking Water Act. The tank project at the Levine reservoir, located in the Great Falls Historic District and on the edge of the national park, is currently stalled while the site undergoes a federal historical review.

The Commission has identified several risks as a result of the COVID-19 pandemic, including a possible delay in collection of water rents and potential cash flow shortages as the result of these delayed collection. The Commission will continue to monitor the situation closely.

**Emergency Protective Measures: Water Boil Advisory**

In 2021, the Commission released a Boil Water Warning to its customers, due to excessive run-off into the New Street Reservoir consumption. Expenditures relating to these emergency protective measures were \$3,755,211 in 2021. The Commission is in the process of applying for funding from FEMA to reimburse these costs. The Commission is also seeking funding for drainage improvements at the New Street Reservoir under the Hazard Mitigation Program in the amount of \$500,000.

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**PASSAIC VALLEY WATER COMMISSION  
NOTES TO FINANCIAL STATEMENTS, CONTINUED  
FOR THE YEARS ENDED DECEMBER 31, 2021 AND 2020  
(CONTINUED)**

**NOTE 15. DESIGNATION OF UNRESTRICTED NET POSITION**

The Commission maintains funds that, although may be spent for any lawful purpose by the Commission, have been designated as follows:

	<u>2021</u>	<u>2020</u>
Designated for Self-Insurance	\$ <u>608,084</u>	\$ <u>608,084</u>
Total Designated - Unrestricted	\$ <u>608,084</u>	\$ <u>608,084</u>

The remaining, undesignated portion of the Commission's net position was comprised of the following at December 31, 2021 and 2020:

	<u>2021</u>	<u>2020</u>
OPEB Related	\$(64,390,321)	\$(60,798,704)
Pension Related	(39,092,471)	(43,440,823)
Available for Use in Future Budgets	<u>28,925,153</u>	<u>36,801,374</u>
	<u>(\$74,557,639)</u>	<u>(\$67,438,153)</u>

**NOTE 16. SUBSEQUENT EVENTS**

In 2022, the Passaic Valley Water Commission began a \$36 million program to replace lead service pipes in approximately 6,500 homes in Paterson, Passaic, Clifton and Prospect Park. Funding for this program will come from the New Jersey Department of Environmental Protection and the New Jersey Infrastructure Bank.

The Commission has evaluated subsequent events through September 21, 2022, the date which the financial statements were available to be issued and no additional items, except as noted above, were noted for disclosure.

**Required Supplementary Information - Part II**

**SCHEDULE RSI-1**

**PASSAIC VALLEY WATER COMMISSION**  
**Required Supplementary Information**  
**Schedule of Changes in Net OPEB Liability**

	Increase/(Decrease)		
	<u>Total OPEB Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Net OPEB Liability</u>
Balance at January 1, 2021	\$ 65,192,188	\$ -	\$ 65,192,188
Changes for the year:			
Service cost	1,872,026	-	1,872,026
Interest	1,366,953	-	1,366,953
Difference between expected and actual experience	-	-	-
Assumption changes	935,948	-	935,948
Contributions - employer	-	1,434,102	(1,434,102)
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments	(1,434,102)	(1,434,102)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	<u>2,740,825</u>	<u>-</u>	<u>2,740,825</u>
Balance at December 31, 2021	<u>\$ 67,933,013</u>	<u>\$ -</u>	<u>\$ 67,933,013</u>

**PASSAIC VALLEY WATER COMMISSION**  
 Required Supplementary Information  
 Schedule of Commission's Proportionate Share of the Net Pension Liability  
 Public Employees' Retirement System (PERS)  
*Last Eight Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
Commission's Proportion of the Net Pension Liability	0.2188759702%	0.2141165442%	0.2074724706%	0.1877759466%	0.1926936638%	0.1862240656%	0.1800307948%	0.1628908896%
Commission's Proportionate Share of the Net Pension Liability	\$ 25,929,140	\$ 34,916,809	\$ 37,383,392	\$ 36,972,148	\$ 44,856,005	\$ 55,154,227	\$ 40,413,306	\$ 30,497,630
Commission's Covered-Employee Payroll	\$ 16,122,585	\$ 16,258,045	\$ 15,431,286	\$ 14,479,759	\$ 13,206,006	\$ 13,223,975	\$ 12,797,853	\$ 12,172,446
Commission's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	160.82%	214.77%	242.26%	255.34%	339.66%	417.08%	315.78%	250.55%

PASSAIC VALLEY WATER COMMISSION  
 Required Supplementary Information  
 Schedule of Commission's Contributions  
 Public Employees' Retirement System (PERS)  
*Last Eight Fiscal Years*

	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required contribution	\$ 2,563,292	\$ 2,143,995	\$ 1,990,263	\$ 1,698,090	\$ 1,575,745	\$ 1,547,782	\$ 1,441,276	\$ 1,286,870
Contributions in Relation to the Contractually Required Contribution	(2,563,292)	(2,143,995)	(1,990,263)	(1,698,090)	(1,575,745)	(1,547,782)	(1,441,276)	(1,286,870)
Contribution Deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Commission's Covered-Employee Payroll	\$ 16,122,585	\$ 16,258,045	\$ 15,431,286	\$ 14,479,759	\$ 13,206,006	\$ 13,223,975	\$ 12,797,853	\$ 12,172,446
Contributions as a Percentage of Commission's Covered-Employee Payroll	15.90%	13.19%	12.90%	11.73%	11.93%	11.70%	11.26%	10.57%

**PASSAIC VALLEY WATER COMMISSION**  
**Notes to Required Supplementary Information**  
**For the Year ended December 31, 2021**

**Other Postemployment Benefits**

**Plan Membership as of December 31, 2021**

Number of Actives with coverage		193
Number of Retirees and Dependents covered		180
		373

**Covered Payroll** \$ 18,700,000

**Average Future Service** 5.00

**Total December 31, 2021 OPEB Liability by Active/Inactive**

Active Employees		\$ 37,288,920
Inactive Participants		\$ 30,644,093
Total OPEB Liability		\$ 67,933,013

**Net OPEB Liability as a Percentage of Covered Payroll** 363.28%



**PASSAIC VALLEY WATER COMMISSION**  
**Note to Required Supplementary Information**  
**For the Year Ended December 31, 2021**

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The calculation of the discount rate used to measure the total pension liability is dependent upon the long-term expected rate of return, and the municipal bond index rate. There was a change in the municipal bond index rate from the prior measurement date to the current measurement date resulting in a change in the discount rate from 6.8% to 7.00%. This change in the discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

**Supplementary Schedules**

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Net Investment in Capital Assets	Restricted				Unrestricted		Total
		Current Debt Service Reserve	Future Debt Service Reserve	Renewal and Extension Reserve	Operations Reserve	Unemployment Compensation Insurance	Designated	
<b>Operating Revenue:</b>								
Service Agreements							94,913,521	94,913,521
Miscellaneous							6,601,877	6,601,877
Sale of Scrap							5,930	5,930
<b>Total Operating Revenue</b>							101,521,328	101,521,328
<b>Operating Expense:</b>								
Cost of Providing Services							50,292,003	50,292,003
Administrative and General							12,023,761	12,023,761
Depreciation	12,276,670							12,276,670
<b>Total Operating Expense</b>	12,276,670						62,315,764	74,592,434
<b>Operating Income</b>	(12,276,670)						39,205,564	26,928,894
<b>Non-Operating Revenue (Expense):</b>								
Interest Income							555,330	555,330
Interest Expense							(3,105,319)	(3,105,319)
Loss on Disposal of Asset	(289,763)							(289,763)
Other Postemployment Benefit Obligation Amortization	(345,549)							(3,591,617)
Emergency Protective Measures: BOLL Advisory								(345,549)
	(635,312)							(3,755,211)
<b>Net Income (Loss) Before Transfers</b>	(12,911,982)						(9,896,817)	(10,532,129)
<b>Transfers:</b>								
Capital Expenditures	22,456,923							22,456,923
Bond Payments	13,483,322							(13,483,322)
Lease Payments	73,718							(73,718)
NJBIT Receipts	(1,505,962)							1,505,962
Other Transfers	1,006,037	(1,116,908)	236,256	1,000,000	760,187		34,660	(1,920,232)
<b>Increase/(Decrease) in Net Position</b>	22,602,056	(1,116,908)	236,256	1,000,000	760,187		34,660	(7,119,486)
<b>Net Position - Jan. 1, 2021</b>	142,650,247	1,505,389	16,592,340	3,000,000	12,554,813	608,084	399,338	109,872,058
<b>Net Position - December 31, 2021</b>	165,252,303	388,481	16,828,596	4,000,000	13,315,000	608,084	433,998	126,268,823

PASSAIC VALLEY WATER COMMISSION

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH AND INVESTMENTS  
UNRESTRICTED AND RESTRICTED ACCOUNTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Bond Service Accounts	Bond Reserve Account	Renewal and Extension Account	Operation Reserve Account
<b>Cash, Cash Equivalents and Investments - January 1, 2021</b>	1,732,927	16,592,340	4,050,547	12,554,813
<b>Cash Receipts:</b>				
Interest on Investments	1,856	54,519	1,288	57,845
Service Agreements				
Miscellaneous	-			
Finance Charges				
Transfers	16,830,650	181,737		
<b>Total Cash Receipts</b>	<u>16,832,506</u>	<u>236,256</u>	<u>1,288</u>	<u>57,845</u>
<b>Cash and Investments Available</b>	<u>18,565,433</u>	<u>16,828,596</u>	<u>4,051,835</u>	<u>12,612,658</u>
<b>Cash Disbursements:</b>				
Bond Principal Payments	13,654,324			
Interest Payments	3,182,911			
Operations				
Capital and Other Expenses				
Transfers	1,189,771		49,966	3,776,060
<b>Total Cash Disbursements</b>	<u>18,027,006</u>	<u>-</u>	<u>49,966</u>	<u>3,776,060</u>
<b>Cash, Cash Equivalents and Investments - December 31, 2021</b>	<u>538,427</u>	<u>16,828,596</u>	<u>4,001,869</u>	<u>8,836,598</u>
<b>Analysis of Balance:</b>				
Cash and Cash Equivalents	538,427	13,347,106	4,001,869	8,256,304
Investments		3,481,490	-	580,294
	<u>538,427</u>	<u>16,828,596</u>	<u>4,001,869</u>	<u>8,836,598</u>
Unrestricted	-		1,869	
Restricted	538,427	16,828,596	4,000,000	8,836,598
	<u>538,427</u>	<u>16,828,596</u>	<u>4,001,869</u>	<u>8,836,598</u>

PASSAIC VALLEY WATER COMMISSION

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND  
CHANGES IN CASH AND INVESTMENTS  
UNRESTRICTED AND RESTRICTED ACCOUNTS  
FOR THE YEAR ENDED DECEMBER 31, 2021

	Unemployment Insurance Account	General Operating Accounts	Total
<b>Cash, Cash Equivalents and Investments - January 1, 2021</b>	399,338	21,244,369	56,574,334
<b>Cash Receipts:</b>			
Interest on Investments	8,522	431,300	555,330
Service Agreements		100,447,004	100,447,004
Miscellaneous	26,138	1,505,962	1,532,100
Finance Charges		-	-
Transfers		1,189,771	18,202,158
<b>Total Cash Receipts</b>	<b>34,660</b>	<b>103,574,037</b>	<b>120,736,592</b>
<b>Cash and Investments Available</b>	<b>433,998</b>	<b>124,818,406</b>	<b>177,310,926</b>
<b>Cash Disbursements:</b>			
Bond Principal Payments			13,654,324
Interest Payments			3,182,911
Operations		72,892,328	72,892,328
Capital and Other Expenses		23,440,492	23,440,492
Transfers		13,186,361	18,202,158
<b>Total Cash Disbursements</b>	<b>-</b>	<b>109,519,181</b>	<b>131,372,213</b>
<b>Cash, Cash Equivalents and Investments - December 31, 2021</b>	<b>433,998</b>	<b>15,299,225</b>	<b>45,938,713</b>
<b>Analysis of Balance:</b>			
Cash and Cash Equivalents	291,198	14,328,873	40,763,777
Investments	142,800	970,352	5,174,936
	<b>433,998</b>	<b>15,299,225</b>	<b>45,938,713</b>
Unrestricted	-	10,820,823	10,822,692
Restricted	433,998	4,478,402	35,116,021
	<b>433,998</b>	<b>15,299,225</b>	<b>45,938,713</b>

**PASSAIC VALLEY WATER COMMISSION  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	FY 2021 Adopted Budget	FY 2021 Budget as Amended	Current Year Actual	Excess / (Deficit)	Prior Year Actual
<b>Revenues:</b>					
Service Charges	55,046,573	55,046,573	58,326,358	3,279,785	55,565,877
Service Agreements (Bulk)	34,464,170	34,464,170	36,587,163	2,122,993	34,830,497
Fines / Penalties	-	-	-	-	242,947
Fire Line Service	6,109,635	6,109,635	4,803,646	(1,305,989)	5,941,452
Other Services and Repairs	5,557,739	5,557,739	1,804,161	(3,753,578)	2,182,874
Non-operating Investments	250,000	250,000	555,330	305,330	1,004,331
<b>Total Operating Revenues</b>	<b>101,428,117</b>	<b>101,428,117</b>	<b>102,076,658</b>	<b>648,541</b>	<b>99,767,978</b>

**PASSAIC VALLEY WATER COMMISSION  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	FY 2021 Adopted Budget	FY 2021 Budget as Amended	Current Year Actual	Excess / (Deficit)	Prior Year Actual
<b>Expenses:</b>					
<b>Operating:</b>					
<b>Cost of Providing Services:</b>					
Executive					
Salaries and Wages	662,000	662,000	419,535	242,465	708,081
Other Expenses	55,500	55,500	12,880	42,620	30,922
Legal					
Salaries and Wages	310,900	310,900	257,872	53,028	303,822
Other Expenses	653,000	653,000	525,855	127,145	630,473
Engineering					
Salaries and Wages	1,738,400	1,738,400	1,659,621	78,779	1,337,819
Other Expenses	1,211,100	1,211,100	1,264,797	(53,697)	845,740
Purchasing					
Salaries and Wages	300,500	300,500	301,927	(1,427)	300,384
Other Expenses	11,500	11,500	2,015	9,485	1,050
Accounting					
Salaries and Wages	1,259,000	1,259,000	1,070,734	188,266	1,028,825
Other Expenses	132,000	132,000	69,791	62,209	72,530
Customer Service					
Salaries and Wages	1,237,000	1,237,000	1,140,436	96,564	1,211,623
Other Expenses	1,159,000	1,159,000	1,295,984	(136,984)	1,002,224
Information Technology					
Personnel					
Salaries and Wages	464,000	464,000	468,655	(4,655)	478,229
Other Expenses	80,000	80,000	38,597	41,403	20,989
Purification					
Salaries and Wages	2,585,550	2,585,550	1,648,669	936,881	1,825,332
Other Expenses	82,050	82,050	53,511	28,539	14,279
Process	11,470,000	11,470,000	7,473,430	3,996,570	8,570,209

**PASSAIC VALLEY WATER COMMISSION**  
**SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED**  
**BY OPERATING REVENUE COMPARED TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	FY 2021 Adopted Budget	FY 2021 Budget as Amended	Current Year Actual	Excess / (Deficit)	Prior Year Actual
<b>Operating:</b>					
<b>Cost of Providing Services (Continued):</b>					
Pumping					
Salaries and Wages	1,157,600	1,157,600	1,086,131	71,469	1,039,010
Other Expenses	6,175,800	6,175,800	6,110,404	65,396	5,446,998
Plant:					
Salaries and Wages	4,084,200	4,084,200	3,738,142	346,058	3,872,736
Other Expenses	1,871,000	1,871,000	1,781,765	89,235	2,218,467
Construction (Non-Capital Expenditures)	305,000	305,000	224,055	80,945	331,508
Distribution					
Salaries and Wages	5,728,800	5,728,800	5,494,801	233,999	5,983,757
Other Expenses	109,000	109,000	120,828	(11,828)	98,378
Maintenance	1,583,200	1,583,200	1,114,892	468,308	1,539,733
Garage	505,000	505,000	335,849	169,151	358,834
Laboratory:					
Salaries and Wages	1,406,300	1,406,300	1,554,446	(148,146)	1,720,158
Other Expenses	226,000	226,000	374,092	(148,092)	61,124
General Chemistry	906,000	906,000	281,432	624,568	286,712
Trace Analysis	15,000	15,000	102,899	(87,899)	174,829
Microbiology	20,000	20,000	142,601	(122,601)	109,828
Online Water Instruments	-	-	69,504	(69,504)	45,520
Field Gas Instruments	-	-	12,578	(12,578)	6,853
NJDWSC Budget Expense	9,657,694	9,657,694	9,657,694	-	9,657,694
<b>Sub-total Cost of Providing Services</b>	<b>57,598,094</b>	<b>57,598,094</b>	<b>50,292,003</b>	<b>7,306,091</b>	<b>51,866,903</b>



**PASSAIC VALLEY WATER COMMISSION  
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED  
BY OPERATING REVENUE COMPARED TO BUDGET  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	FY 2021 Adopted Budget	FY 2021 Budget as Amended	Current Year Actual	Excess / (Deficit)	Prior Year Actual
<b>Administrative Expenses:</b>					
Stationary, Postage and Supplies	325,000	325,000	382,853	(57,853)	279,995
Miscellaneous	587,327	587,327	307,460	279,867	453,985
Telephone	625,000	625,000	696,958	(71,958)	679,493
Wanaque So. - Lease Expense	120,000	120,000	110,119	9,881	92,498
Legal Advertisements	35,000	35,000	42,428	(7,428)	44,709
Membership Affiliations	75,000	75,000	4,589	70,411	82,591
General Liability Insurance	850,000	850,000	717,487	132,513	739,126
Fees and Taxes	701,000	701,000	485,356	215,644	583,233
Bad Debt Expense	250,000	250,000	87,252	162,748	147,442
Employee Benefits:					
Worker's Compensation	500,000	500,000	511,669	(11,669)	384,197
Hospitalization / Prescription	7,002,000	7,002,000	8,666,207	(1,664,207)	6,168,785
Group Life Insurance	10,000	10,000	-	10,000	-
Pension	2,758,800	2,758,800	2,563,292	195,508	2,457,802
Social Security / Medicare	1,420,700	1,420,700	1,513,844	(93,144)	1,245,208
Unemployment and Disability	-	-	9,015	(9,015)	2,086
Dental	166,750	166,750	91,555	75,195	178,249
Other	46,000	46,000	41,483	4,517	34,053
Professional Services:					
Auditing	43,850	43,850	43,850	-	43,000
Other	620,000	620,000	96,696	523,304	82,519
<b>Sub-total Administrative</b>	<b>16,136,427</b>	<b>16,136,427</b>	<b>16,372,113</b>	<b>(235,686)</b>	<b>13,698,971</b>
<b>Sub-total Operating</b>	<b>73,734,521</b>	<b>73,734,521</b>	<b>66,664,116</b>	<b>7,070,405</b>	<b>65,565,874</b>

**PASSAIC VALLEY WATER COMMISSION**  
**SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED**  
**BY OPERATING REVENUE COMPARED TO BUDGET**  
**FOR THE YEAR ENDED DECEMBER 31, 2021**

	FY 2021 Adopted Budget	FY 2021 Budget as Amended	Current Year Actual	Excess / (Deficit)	Prior Year Actual
<b>Other Costs Funded by Operating Revenues:</b>					
Debt Service:					
Interest Expense	3,250,552	3,250,552	3,105,319	145,233	3,574,626
Capital Leases			73,718	(73,718)	75,150
Bond Principal	14,874,598	14,874,598	13,483,322	1,391,276	12,984,093
Reserves:					
Operations and Maintenance Reserve	-	-	-	-	861,533
<b>Sub-total Other Costs</b>	<u>18,125,150</u>	<u>18,125,150</u>	<u>16,662,359</u>	<u>1,462,791</u>	<u>17,495,402</u>
<b>Total Costs Funded by Operating Revenues</b>	91,859,671	91,859,671	83,326,475	8,533,196	83,061,276
<b>Add: Excess / (Deficit)</b>	<u>9,568,446</u>	<u>9,568,446</u>	<u>18,750,183</u>	<u>9,181,737</u>	<u>16,706,702</u>
	<u>101,428,117</u>	<u>101,428,117</u>	<u>102,076,658</u>	<u>(648,541)</u>	<u>99,767,978</u>
<b>Excess of Revenues Over Expenses:</b>			18,750,183		16,706,702
<b>Reconciliation of Budgetary Basis to GAAP:</b>					
Depreciation Expense			(12,276,670)		(12,936,194)
Amortization Expense			(345,549)		(80,533)
Operations and Maintenance Reserve			-		861,533
Cancellation of Old Payables and Accruals			-		2,082,084
Loss on Disposal of Asset			(289,763)		(245,187)
Capital Leases			73,718		75,150
Bond Principal			13,483,322		12,984,093
Pension Adjustment			4,348,352		(701,959)
Other Postemployment Benefit Obligation			(3,591,617)		(4,605,391)
Emergency Protective Measures: Boil Advisory			(3,755,211)		-
<b>Total Adjustments</b>			<u>(2,353,418)</u>		<u>(2,566,404)</u>
<b>Change in Net Position</b>			<u>16,396,765</u>		<u>14,140,298</u>

**PASSAIC VALLEY WATER COMMISSION**

**SCHEDULE OF CAPITAL BUDGET PROGRAM  
FUNDED BY FINANCING SOURCES  
FOR THE YEAR ENDED DECEMBER 31, 2021**

	<b>FY 2021 Adopted Budget</b>	<b>FY 2021 Budget as Amended</b>	<b>Paid or Charged</b>	<b>Excess / (Deficit)</b>
<b>Financing Sources:</b>				
Unrestricted Net Position Utilized	49,220,579	49,220,579	13,600,470	35,620,109
Debt Authorization	10,300,000	10,300,000	9,529,119	770,881
	<u>59,520,579</u>	<u>59,520,579</u>	<u>23,129,589</u>	<u>36,390,990</u>
<b>Capital Outlays:</b>				
<b>Recurring Construction:</b>				
Main Replacement	468,750	468,750	253,861	214,889
Hydrant, Valves, Curb Stops, Svc Lines	3,870,000	3,870,000	250,155	3,619,845
Restoration Work Following Routine Maintenance	1,560,000	1,560,000	-	1,560,000
Emergency Services - Water Main Repairs	1,800,000	1,800,000	-	1,800,000
Annual Hydrant Flushing & Valve Testing	1,180,000	1,180,000	200,675	979,325
Annual Flushing	30,000	30,000	-	30,000
Plant / Distribution	562,755	562,755	288,365	274,390
Vehicles/Equipment	1,630,000	1,630,000	950,299	679,701
<b>Discrete Projects:</b>				
Screen House Renovation	200,000	200,000	-	200,000
Passaic River	450,000	450,000	-	450,000
<b>Production and Pumping:</b>				
Main Pump Station Discharge Valves	250,000	250,000	136,961	113,039
Wanaque Pump No. 2 Discharge Valve	200,000	200,000	-	200,000
Emergency Pump Rehab for MPS	150,000	150,000	-	150,000
Rehabilitate Pump Motors for MPS	100,000	100,000	-	100,000
Ozone Generators	200,000	200,000	75	199,925
Caustic System Rehab	250,000	250,000	-	250,000
Hydro-Turbine Generators	1,500,000	1,500,000	33,976	1,466,024
Residuals Treatment	1,000,000	1,000,000	-	1,000,000
Filter Valve Actuators	100,000	100,000	-	100,000
<b>Distribution:</b>				
Water Main Replacement	5,050,000	5,050,000	4,798,470	251,530
Water Main & Lead Service Replacement	2,000,000	2,000,000	2,000,000	-
Valve Replacement	500,000	500,000	-	500,000
Open Finished Water Reservoirs	11,800,000	11,800,000	1,907,510	9,892,490
Great Falls Arch Bridge	100,000	100,000	-	100,000
Route 45/3 NJDOT Contract 8	1,059,574	1,059,574	-	1,059,574
6th Ave Main Replacement	200,000	200,000	200,000	-
High Crest Suction & Discharge Pipe Replacement	15,000	15,000	5,175	9,825
Lead Service Replacements	8,100,000	8,100,000	7,621,610	478,390
Replacement of Kearny Multiples	250,000	250,000	-	250,000
Cross Connection Facility Survey	400,000	400,000	-	400,000
Lead Detection Equipment	75,000	75,000	-	75,000

PASSAIC VALLEY WATER COMMISSION

SCHEDULE OF CAPITAL BUDGET PROGRAM  
FUNDED BY FINANCING SOURCES  
FOR THE YEAR ENDED DECEMBER 31, 2021

	FY 2021 Adopted Budget	FY 2021 Budget as Amended	Paid or Charged	Excess / (Deficit)
<b>Plant and General Structures:</b>				
Main Pump Station, White House & Jackson Ave	1,500,000	1,500,000	1,499,703	297
Main Pump Station	350,000	350,000	180,000	170,000
Clifton Yard	840,000	840,000	156,696	683,304
LFTWP & Remote Sites	300,000	300,000	54,720	245,280
White House	250,000	250,000	-	250,000
Transfer Pump Station	500,000	500,000	-	500,000
Great Falls Pump Station	100,000	100,000	-	100,000
Electrical Upgrades	350,000	350,000	155,938	194,062
Actiflo Feeders & Motor Started Controls	575,000	575,000	571,767	3,233
Emergency Generator Systems	25,000	25,000	-	25,000
Great Falls Buildings	250,000	250,000	59,069	190,931
Nosenzo Pond PS	250,000	250,000	-	250,000
LFWTP	800,000	800,000	-	800,000
EPA	125,000	125,000	-	125,000
Upper Raceway, Paterson	150,000	150,000	-	150,000
<b>Instrumentation, Controls and Information Technologies:</b>				
Networking	1,021,000	1,021,000	995,691	25,309
SCADA	1,000,000	1,000,000	521,268	478,732
Fleet Vehicles	1,292,500	1,292,500	69,676	1,222,824
Clifton Admin & LFWTP - Document Management	305,000	305,000	-	305,000
Commercial System Upgrade	80,000	80,000	80,000	-
Security System Upgrade	1,500,000	1,500,000	-	1,500,000
CMMS, Inventory & Financial Mgmt	1,600,000	1,600,000	-	1,600,000
GIS	155,000	155,000	-	155,000
Laboratory/Water Quality Systems	1,151,000	1,151,000	137,931	1,013,069
<b>Total Capital Outlays</b>	<b>59,520,579</b>	<b>59,520,579</b>	<b>23,129,589</b>	<b>36,390,990</b>
<b>Total Costs Funded by Capital Revenue</b>	<b>59,520,579</b>	<b>59,520,579</b>	<b>23,129,589</b>	<b>36,390,990</b>
<b>Add: Excess</b>	<b>-</b>	<b>-</b>	<b>0</b>	<b>(0)</b>
	<b>59,520,579</b>	<b>59,520,579</b>	<b>23,129,589</b>	<b>36,390,990</b>

PASSAIC VALLEY WATER COMMISSION

SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Issued	Redeemed	Balance Dec. 31, 2021
			Date	Amount			
NJEIT Bonds (Series 2001A.&B) Trust Portion - NSRF <i>(Refunded with Series 2007A)</i>	10/15/2001			2,114,811		2,114,811	
NJEIT Bonds (Series 2001A.&B) Fund Portion - NSRF	10/15/2001			1,548,011		1,548,011	
NJEIT Bonds (Series 2001A.&B) Trust Portion - CW <i>(Refunded with Series 2007A)</i>	10/15/2001			271,496		271,496	
NJEIT Bonds (Series 2001A.&B) Fund Portion - CW	10/15/2001			198,668		198,668	

PASSAIC VALLEY WATER COMMISSION

SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2021	Issued	Redeemed	Balance Dec. 31, 2021
			Date	Amount				
NJFIT Bonds (Series 2002A.&B) Trust Portion (Refunded with Series 2007B)	10/15/2002	4.75%	2022	140,515.56	272,628		132,113	140,515
NJFIT Bonds (Series 2002A.&B) Trust Portion - CW (Refunded with Series 2007B)	10/15/2002	4.75%	2022	17,011.56	34,802		17,791	17,011
Refunding Bonds (Series 2003)	12/15/2003	5.00%	2022	4,175,000.00	8,150,000		3,975,000	4,175,000

PASSAIC VALLEY WATER COMMISSION

SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2021	Issued	Redeemed	Balance Dec. 31, 2021
			Date	Amount				
NJ/EIT Bonds (Series 2007A&B) Trust Portion	11/9/2007	5.00%	2022	65,000.00	585,000		135,000	450,000
		4.25%	2023	70,000.00				
		4.50%	2024	75,000.00				
		4.50%	2025	75,000.00				
		4.50%	2026	80,000.00				
		4.25%	2027	85,000.00				
NJ/EIT Bonds (Series 2007A&B) Fund Portion	11/9/2007	4.69%	2022	124,143.35	329,655		128,899	200,756
		4.75%	2023	76,612.27				

PASSAIC VALLEY WATER COMMISSION  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2021	Issued	Redeemed	Balance Dec. 31, 2021
			Date	Amount				
Water Supply Revenue Bonds (Series 2009B)	12/15/2009	7.57%	2025	565,000.00				
		7.57%	2026	595,000.00				
		7.57%	2027	620,000.00				
		7.57%	2028	650,000.00				
		7.57%	2029	685,000.00				
		7.82%	2030	720,000.00				
		7.82%	2031	755,000.00				
		7.82%	2032	795,000.00				
		7.82%	2033	835,000.00				
		7.82%	2034	875,000.00				
		7.82%	2035	920,000.00				
		7.82%	2036	965,000.00				
		7.82%	2037	1,015,000.00				
		7.82%	2038	1,070,000.00				
	7.82%	2039	1,120,000.00					
					12,185,000			12,185,000
NJFIT Bonds (Series Fall 2010A)								
Fund Portion								
	10/5/2010							
		n/a	2022	72,723.21				
		n/a	2023	72,723.21				
		n/a	2024	72,723.21				
		n/a	2025	72,723.21				
		n/a	2026	72,723.21				
		n/a	2027	72,723.21				
		n/a	2028	4,438.71				
					513,502		72,723	440,779



PASSAIC VALLEY WATER COMMISSION  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2021	Issued	Redeemed	Balance Dec. 31, 2021
			Date	Amount				
NJ/EIT Bonds (Series 2010E) Trust Portion	12/2/2010	5.00%	2022	132,000.00	1,375,000			1,129,000
		5.00%	2023	137,000.00				
		5.00%	2024	146,000.00				
		5.00%	2025	150,000.00				
		5.00%	2026	160,000.00				
		5.00%	2027	164,000.00				
		5.00%	2028	172,000.00				
		5.00%	2029	68,000.00				
		Water Supply Revenue Bonds (Series 2014)	12/15/2014	4.00%				
5.00%	2023			995,000.00				
5.00%	2024			1,045,000.00				
5.00%	2025			1,095,000.00				
5.00%	2026			1,150,000.00				
3.13%	2027			1,210,000.00				
3.25%	2028			1,245,000.00				
5.00%	2029			1,290,000.00				
3.38%	2030			1,350,000.00				
3.35%	2031			1,400,000.00				
5.00%	2032			1,445,000.00				
3.63%	2033			1,520,000.00				

PASSAIC VALLEY WATER COMMISSION  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2021	Issued	Redeemed	Balance Dec. 31, 2021
			Date	Amount				
Water Supply Refunding Bonds (Series 2015)	11/5/2015							
		5.00%	2022	1,175,000.00				
		5.00%	2023	730,000.00				
		5.00%	2024	755,000.00				
		5.00%	2025	800,000.00				
		4.00%	2026	845,000.00				
		3.00%	2027	495,000.00				
					5,910,000		1,110,000	4,800,000

PASSAIC VALLEY WATER COMMISSION  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2021	Issued	Redeemed	Balance Dec. 31, 2021
			Date	Amount				
NIDEP Bonds (Series 2017)	6/19/2017	n/a	2022	69,393.39				
Fund Portion Project 1605002-025A		n/a	2023	69,393.39				
		n/a	2024	69,393.39				
		n/a	2025	69,393.39				
		n/a	2026	69,393.39				
		n/a	2027	69,393.39				
		n/a	2028	69,393.39				
		n/a	2029	69,393.39				
		n/a	2030	69,393.39				
		n/a	2031	69,393.39				
		n/a	2032	69,393.39				
		n/a	2033	69,393.39				
		n/a	2034	69,393.39				
		n/a	2035	69,393.39				
		n/a	2036	69,393.39				
		n/a	2037	69,393.39				
		n/a	2038	69,393.39				
		n/a	2039	69,393.39				
		n/a	2040	69,393.39				
		n/a	2041	69,393.39				
		n/a	2042	69,393.39				
		n/a	2043	69,393.39				
		n/a	2044	69,393.39				
		n/a	2045	69,393.39				
		n/a	2046	69,393.60				
					1,804,229		69,394	1,734,835

PASSAIC VALLEY WATER COMMISSION  
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2021	Balance Dec. 31, 2021
			Date	Amount		
NIDEP Bonds (Series 2017)	6/19/2017	n/a	2022	789,417.79		
Fund Portion Project 1605002-025B		n/a	2023	789,417.79		
		n/a	2024	789,417.79		
		n/a	2025	789,417.79		
		n/a	2026	789,417.79		
		n/a	2027	789,417.79		
		n/a	2028	789,417.79		
		n/a	2029	789,417.79		
		n/a	2030	789,417.79		
		n/a	2031	789,417.79		
		n/a	2032	789,417.79		
		n/a	2033	789,417.79		
		n/a	2034	789,417.79		
		n/a	2035	789,417.79		
		n/a	2036	789,417.79		
		n/a	2037	789,417.79		
		n/a	2038	789,417.79		
		n/a	2039	789,417.79		
		n/a	2040	789,417.79		
		n/a	2041	789,417.79		
		n/a	2042	789,417.79		
		n/a	2043	789,417.79		
		n/a	2044	789,417.79		
		n/a	2045	789,417.79		
		n/a	2046	789,417.93		
				20,524,862	789,418	19,735,444



**ROSTER OF OFFICIALS AND REPORT ON SURETY BONDS**

The following officials were in office at December 31, 2021:

<u>Name</u>		<u>Office</u>
Ruby Cotton	Paterson	President
Ronald Van Rensalier	Passaic	Vice President
Gerald Friend	Clifton	Treasurer
Jeffrey Levine	Paterson	Secretary
Carmen DePadua	Paterson	Commissioner
Joseph Kolodziej	Clifton	Commissioner
Rigoberto Sanchez	Passaic	Commissioner
Patrick Porcaro, Jr.		Director of Engineering
Yitzchak Weiss		Chief Financial Officer
James J. Gallagher		Director of Personnel
George T. Hanley, Esq.		General Counsel
Louis Amodio		Administrative Secretary

All members and employees are covered by insurance policies provided through the New Jersey Utility Authorities Joint Insurance Fund.

**Government Auditing Standards Report**



# WIELKOTZ & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

Steven D. Wielkocz, CPA, RMA, PSA  
Matthew B. Wielkocz, CPA, PSA  
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**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**

Honorable Chairman and Members of the  
Passaic Valley Water Commission  
1525 Main Avenue  
Clifton, New Jersey 07011

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Passaic Valley Water Commission, as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated September 21, 2022.

***Internal Control Over Financial Reporting***

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

Our consideration of internal control was for the limited purpose described in preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiency in internal control that we consider to be a significant deficiency.





Honorable Chairman and Members of the  
Passaic Valley Water Commission  
Page 2.

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

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and questioned costs to be a significant deficiency (Finding 2021-1).

### ***Compliance and Other Matters***

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

### ***Purpose of this Report***

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



WIELKOTZ & COMPANY, LLC  
Certified Public Accountants  
Pompton Lakes, New Jersey

September 21, 2022



**Single Audit Section**



# WIELKOTZ & COMPANY LLC

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**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY  
THE UNIFORM GUIDANCE**

Honorable Chairman and Members of the  
Passaic Valley Water Commission  
1525 Main Avenue  
Clifton, New Jersey 07011

## **Report on Compliance for Each Major Federal Program**

### **Opinion on Each Major Federal Program**

We have audited Passaic Valley Water Commission's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of Passaic Valley Water Commission's major federal programs for the year ended December 31, 2021. Passaic Valley Water Commission's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Passaic Valley Water Commission complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2021.

### **Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.



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

### **Responsibilities of Management for Compliance**

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

### **Auditor's Responsibilities for the Audit of Compliance**

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

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Passaic Valley Water Commission's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.



- Obtain an understanding of Passaic Valley Water Commission's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Passaic Valley Water Commission's internal control over compliance. Accordingly, no such opinion is expressed.

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

#### **Other Matters**

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance with respect to these matters.

#### **Report on Internal Control over Compliance**

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



Honorable Chairman and Members of the  
Passaic Valley Water Commission  
Page 4.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



WIELKOTZ & COMPANY, LLC  
Certified Public Accountants  
Pompton Lakes, New Jersey

September 21, 2022



PASSAIC VALLEY WATER COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE

DECEMBER 31, 2021

Federal Grantor/Pass-Through Grantor/Program Title/Cluster	CFDA Number	State Agency Account Number	Grant Award	Grant Receipts	Grant Period		Prior Years	Grant Expenditures	Cumulative Grant Expenditures
					From	To			
<b>U.S. Department of Housing and Urban Development:</b>									
<i>Pass Through New Jersey Department of Environmental Protection</i>									
Hurricane Sandy Community Development Block Grant Disaster Recovery Grants:									
Project No: 1605002-25B	14.269	042-4840-707-044	\$ 21,840,559	1,105,184	01/01/21	12/31/21	17,222,290	306,391	17,528,681
Project No: 1605002-25B - Prim. Forgiveness	14.269	042-4840-707-044	\$ 7,920,148	400,778	01/01/21	12/31/21	6,245,402	111,108	6,356,510
<b>U.S. Environmental Protection Agency:</b>									
<i>Pass Through New Jersey Department of Environmental Protection</i>									
Capitalization Grants for Drinking Water State Revolving Fund:									
Project No: 1605002-25A	66.468	042-4840-707-003	1,919,884	-	01/01/21	12/31/21	1,204,866	715,018	1,919,884
<b>Total Federal Financial Assistance</b>				<b>1,505,962</b>			<b>24,672,558</b>	<b>1,132,517</b>	<b>25,805,075</b>

See accompanying notes to the schedules of Federal and State Awards.

PASSAIC VALLEY WATER COMMISSION

NOTES TO THE SCHEDULE OF EXPENDITURES  
OF FEDERAL AWARDS  
DECEMBER 31, 2021

**NOTE 1. GENERAL**

The accompanying Schedule of Expenditures of Federal Awards present the activity of all federal and state award programs of the Passaic Valley Water Commission. The Commission is defined in Note 1 to the Commission's basic financial statements.

**NOTE 2. BASIS OF ACCOUNTING**

The accompanying Schedules of Expenditures of Awards and Financial Assistance are presented on the accrual basis of accounting. These bases of accounting are described in Notes 2(A) to the Commission's basic financial statements. The information in this schedule is presented in accordance with the requirements of the Uniform Guidance, *Audits of States, Local Governments, and Non-Profit Organizations* and Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid.

**NOTE 3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Awards and financial assistance are reported in the Commission's basic financial statements on a GAAP basis as follows:

	<u>NJ Environmental Infrastructure Trust</u>		
	<u>New Jersey Environmental Trust</u>	<u>New Jersey Environmental Fund</u>	<u>Total</u>
Balance - 12/31/20	\$7,381,477	\$715,018	\$8,096,495
Less: Grants Received	<u>1,505,961</u>		<u>1,505,961</u>
Balance - 12/31/21	<u>\$5,875,516</u>	<u>\$715,018</u>	<u>\$6,590,534</u>

**NOTE 4. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

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

**NOTE 5. INDIRECT COST RATE**

The Passaic Valley Water Commission has elected to use the 10-percent de minimis indirect cost rate as allowed under the Uniform Guidance.



PASSAIC VALLEY WATER COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021

Section I - Summary of Auditor's Results

**Financial Statements**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

1. Reportable condition(s) identified that are not considered to be material weaknesses?  X  yes   none reported

2. Material weakness(es) identified?   yes  X  none

Noncompliance material to basic financial statements noted?   yes  X  no

**Federal Awards**

Internal Control over major programs:

1. Significant deficiencies identified that are not considered to be material weaknesses?   yes  X  none reported

2. Material weakness(es) identified?   yes  X  no

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 Section .510(a) of the Uniform Guidance?   yes  X  no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>14.269</u>	<u>Hurricane Sandy Community Development Block Grant:</u>
	<u>Disaster Recovery Grants</u>
<u>66.468</u>	<u>Capitalization Grants for Drinking Water State Revolving Fund</u>

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee?  X  no   yes

**PASSAIC VALLEY WATER COMMISSION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED DECEMBER 31, 2021**

*Section II - Financial Statement Findings*

**FINDING 2021-01**

**STATEMENT OF CONDITION**

A reconciliation of inventory purchases made, and inventory items used between December 31, 2021 and the date of the annual inventory count, was unavailable at the time of audit. Additionally, documentation supporting the calculation of weighed average calculation of the unit costs of inventory items was not available for review.

**CRITERIA**

Reconciliations between inventory reported at the year end and the annual inventory count should be maintained by management. Unit costs used in the calculation of inventory should be properly supported by invoices.

**EFFECT**

Controls around inventory adjustments made at 12/31/21 were found to be insufficient.

**CAUSE**

The annual inventory count was delayed until February 28, 2022 for unforeseen factors, including inclement weather, COVID-related illnesses, and the availability of Commission personnel. The Commission's current inventory system was unable to properly track the additions and deletions of inventory items in real time. Additionally, the weighted average formula used by the Commission is updated annually, however, supporting documentation for some older unit price values sampled was not readily available at the time of audit.

**RECOMMENDATION**

The Commission should consider updating controls around the tracking and valuing of inventory items.

**MANAGEMENT'S RESPONSE**

Management currently is in the process of updating the software used to track and value inventory and anticipates this finding will be corrected once implemented.

**PASSAIC VALLEY WATER COMMISSION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**  
**FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**

(continued)

*Section III - Federal Awards Financial Assistance Findings and Questioned Costs*

No matters were reported

**PASSAIC VALLEY WATER COMMISSION**

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS  
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2021**

**Status of Prior Year Findings**

A review was performed on all prior year audit findings and corrective action was taken.

**General Comments and Recommendations**

## PASSAIC VALLEY WATER COMMISSION

### GENERAL COMMENTS

#### Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-3

N.J.S.A. 40A:11-2 contains definitions for terms used throughout N.J.S.A. 40A:11-1 et seq. and was amended under P.L. 1999, c.440. It includes as subsection (23) the term 'competitive contracting', which is defined as "the method described in sections 1 through 5 of P.L. 1999, c.440 (C.40:11-4.1 through C.40A:11-4.5) of contracting for specialized goods and services in which formal proposals are solicited from vendors, formal proposals are evaluated by the purchasing agent or counsel; and the governing body awards a contract to a vendor or vendors from among the formal proposals received."

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the sum of \$44,000, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations."

N.J.S.A. 40A:11-15 was amended with P.L. 1999, c.440 to extend the base contract period. "Any contract made pursuant to this section may be awarded for a period of 24 consecutive months, except that contracts for professional services pursuant to paragraph (1) of subsection (a) of N.J.S.A. 40A:11-5 may be awarded for a period not exceeding 12 consecutive months.

The governing body of the Commission has the responsibility of determining whether the expenditures in any category will exceed the statutory threshold within the contract year. Where question arises as to whether any contract or agreement might result in violation of the statute, the opinion of the Commission's attorney should be sought before a commitment is made.

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. No violations were discovered.

Our examination of expenditures revealed no individual payment, contract or agreement "for the performance of any work or the furnishing or hiring of any materials or supplies" in excess of the statutory thresholds where bids had not been previously sought by public advertisement or where a resolution had previously been adopted under the provisions of N.J.S.A. 40A:11-6.

Our review of the Commission's minutes indicated that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services" per N.J.S.A. 40A:11-5.

**PASSAIC VALLEY WATER COMMISSION**

**GENERAL COMMENTS, CONTINUED**

A review was performed on all prior year recommendations and corrective action was taken on all items, except those noted with an asterisk "\*".

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

Should any questions arise as to our comments or recommendations, or should you desire assistance in implementing our recommendations, do not hesitate to call us.

We wish to thank Passaic Valley Water Commission for their cooperation during the performance of our audit.

Respectfully submitted,



WIELKOTZ & COMPANY, LLC  
Certified Public Accountants