

PASSAIC VALLEY WATER COMMISSION
REPORT OF AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

PASSAIC VALLEY WATER COMMISSION

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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, 2023 and 2022, 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, 2023 and 2022, 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 statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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) and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 and the letter of comments and recommendations section are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the 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*



Honorable Chairman and Members of the
Passaic Valley Water Commission
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Requirements for Federal Awards (Uniform Guidance) and the schedule of expenditures of state financial assistance as required by NJ OMB 15-08 are 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 18, 2024 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

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

September 18, 2024



Required Supplementary Information - Part I

Management 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, 2023. 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 \$164,164,658 (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 \$140,417,747.

- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$100,566,813 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 \$118,666,733 are restricted by constraints imposed from outside the Commission such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$(55,068,888) represent the portion available to maintain the Commission's continuing obligations to citizens and creditors.

- Total liabilities of the Commission increased by \$89,684,775 to \$310,076,056 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 years 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 \$164,164,658. This is a \$23,746,911 increase over last year's net position of \$140,417,747. A summary of the Commission's statement of net position is presented in the following table:

Condensed Statement of Net Position

	<u>FY 2023</u>	<u>FY 2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	203,747,007	117,357,265	86,389,742	73.61%
Capital Assets	<u>278,253,894</u>	<u>247,987,650</u>	<u>30,266,244</u>	12.20%
Total Assets	<u>482,000,901</u>	<u>365,344,915</u>	<u>116,655,986</u>	31.93%
Deferred Outflow of Resources	<u>19,017,263</u>	<u>25,091,797</u>	<u>(6,074,534)</u>	(24.21)%
Current Liabilities	23,697,001	28,476,706	(4,779,705)	(16.78)%
Non-Current Liabilities	<u>286,379,055</u>	<u>191,914,575</u>	<u>94,464,480</u>	49.22%
Total Liabilities	<u>310,076,056</u>	<u>220,391,281</u>	<u>89,684,775</u>	40.69%
Deferred Inflows of Resources	<u>26,777,450</u>	<u>29,627,684</u>	<u>(2,850,234)</u>	(9.62)%
Net Investment in Capital Assets	100,566,813	186,414,603	(85,847,790)	(46.05)%
Restricted	118,666,733	34,710,749	83,955,984	241.87%
Unrestricted	<u>(55,068,888)</u>	<u>(80,707,605)</u>	<u>25,638,717</u>	(31.77)%
Total Net Position	<u>164,164,658</u>	<u>140,417,747</u>	<u>23,746,911</u>	16.91%

**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 2021 balances in the following table.

Condensed Statement of Net Position

	<u>FY 2022</u>	<u>FY 2021</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	117,357,265	84,512,788	32,844,477	38.86%
Capital Assets	<u>247,987,650</u>	<u>234,226,875</u>	<u>13,760,775</u>	5.88%
Total Assets	<u>365,344,915</u>	<u>318,739,663</u>	<u>46,605,252</u>	14.62%
Deferred Outflow of Resources	<u>25,091,797</u>	<u>25,903,144</u>	<u>(811,347)</u>	(3.13)%
Current Liabilities	28,476,706	26,000,205	2,476,501	9.52%
Non-Current Liabilities	<u>191,914,575</u>	<u>158,971,715</u>	<u>32,942,860</u>	20.72%
Total Liabilities	<u>220,391,281</u>	<u>184,971,920</u>	<u>35,419,361</u>	19.15%
Deferred Inflows of Resources	<u>29,627,684</u>	<u>33,401,706</u>	<u>(3,774,022)</u>	(11.30)%
Net Investment in Capital Assets	186,414,603	165,252,303	21,162,300	12.81%
Restricted	34,710,749	34,966,075	(255,326)	(0.73)%
Unrestricted	<u>(80,707,605)</u>	<u>(73,949,555)</u>	<u>(6,758,050)</u>	9.14%
Total Net Position	<u>140,417,747</u>	<u>126,268,823</u>	<u>14,148,924</u>	11.21%

**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 \$23,746,911 and \$14,148,924 during the 2023 and 2022 fiscal years, respectively.

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

	<u>FY 2023</u>	<u>FY 2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	115,918,124	103,633,630	12,284,494	11.85%
Non-operating Revenues	<u>2,773,114</u>	<u>921,258</u>	<u>1,851,856</u>	201.01%
Total Revenue	<u>118,691,238</u>	<u>104,554,888</u>	<u>14,136,350</u>	13.52%
Depreciation	9,771,483	11,660,873	(1,889,390)	(16.20)%
Other Operating Expenses	78,772,221	73,862,898	4,909,323	6.65%
Other Non-operating Expense	<u>6,400,623</u>	<u>4,882,193</u>	<u>1,518,430</u>	31.10%
Total Expenses	<u>94,944,327</u>	<u>90,405,964</u>	<u>4,538,363</u>	5.02%
Change in Net Position	23,746,911	14,148,924	9,597,987	67.84%
Beginning Balance	<u>140,417,747</u>	<u>126,268,823</u>	<u>14,148,924</u>	11.21%
Ending Balance	<u>164,164,658</u>	<u>140,417,747</u>	<u>23,746,911</u>	16.91%

**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 2021 figures in the following table.

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

	<u>FY 2022</u>	<u>FY 2021</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	103,633,630	101,521,328	2,112,302	2.08%
Non-operating Revenues	<u>921,258</u>	<u>555,330</u>	<u>365,928</u>	65.89%
Total Revenues	<u>104,554,888</u>	<u>102,076,658</u>	<u>2,478,230</u>	2.43%
Depreciation	11,660,873	12,276,670	(615,797)	(5.02)%
Other Operating Expenses	73,862,898	62,315,764	11,547,134	18.53%
Other Non-operating Expense	<u>4,882,193</u>	<u>11,087,459</u>	<u>(6,205,266)</u>	(55.97)%
Total Expenses	<u>90,405,964</u>	<u>85,679,893</u>	<u>4,726,071</u>	5.52%
Change in Net Position	14,148,924	16,396,765	(2,247,841)	(13.71)%
Beginning Balance	<u>126,268,823</u>	<u>109,872,058</u>	<u>16,396,765</u>	14.92%
Ending Balance	<u>140,417,747</u>	<u>126,268,823</u>	<u>14,148,924</u>	11.21%

**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 2023 and FY 2022 budget comparison:

**Budget vs. Actual
FY 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	109,220,377	117,192,689	7,972,312
Non-Operating	<u>1,000,000</u>	<u>1,498,549</u>	<u>498,549</u>
	<u>110,220,377</u>	<u>118,691,238</u>	<u>8,470,861</u>
Expenses:			
Operating	90,461,301	82,831,383	7,629,918
Non-Operating	<u>7,506,840</u>	<u>7,390,199</u>	<u>116,641</u>
	<u>97,968,141</u>	<u>90,221,582</u>	<u>7,746,559</u>
Income before Depreciation	<u>12,252,236</u>	<u>28,469,656</u>	<u>16,217,420</u>

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

Budgetary Highlights (Continued)

	Budget vs. Actual FY 2022		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	104,874,924	103,894,327	(980,597)
Non-Operating	<u>750,000</u>	<u>527,832</u>	<u>(222,168)</u>
	<u>105,624,924</u>	<u>104,422,159</u>	<u>(1,202,765)</u>
Expenses:			
Operating	79,710,310	77,657,060	2,053,250
Non-Operating	<u>16,495,243</u>	<u>12,636,245</u>	<u>3,858,998</u>
	<u>96,205,553</u>	<u>90,293,305</u>	<u>5,912,248</u>
Income before Depreciation	<u>9,419,371</u>	<u>14,128,854</u>	<u>4,709,483</u>

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During fiscal year 2023, the Commission had an increase of \$40,641,406 in capital assets. The Commission's net property, plant and equipment at fiscal year end was \$278,253,894. This is a \$30,266,244 increase over last year's net property, plant and equipment of \$247,987,650. A summary of the Commission's capital assets is presented in the following table:

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>
Land	33,260,191	33,260,191	0
Infrastructure and Improvements	450,273,971	416,204,647	34,069,324
Machinery, Vehicles and Equipment	<u>22,099,051</u>	<u>15,526,969</u>	<u>6,572,082</u>
	505,633,213	464,991,807	40,641,406
Less: Accumulated Depreciation	<u>(227,379,319)</u>	<u>(217,004,157)</u>	<u>(10,375,162)</u>
Net Property, Plant and Equipment	<u>278,253,894</u>	<u>247,987,650</u>	<u>30,266,244</u>

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

Debt Administration

At December 31, 2023, the Commission had outstanding New Jersey Environmental Infrastructure Fund bonds and revenue refunding bonds in the amount of \$158,107,989. The debt service schedule goes out to 2053. 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

	2023	2022
<u>ASSETS</u>		
Current Assets:		
<u>Unrestricted:</u>		
Cash and Cash equivalents	\$ 14,233,650	\$ 7,415,600
Investments	829,546	640,000
Accounts Receivable, net	36,520,757	29,752,183
Inventory	5,564,201	3,094,444
Other Receivables	8,565	10,010
Due From NJEIT	3,634,874	-
Prepaid Expenses	150,260	148,386
Total Unrestricted Assets	60,941,853	41,060,623
<u>Restricted:</u>		
Construction Account:		
Cash and Cash equivalents	80,252,646	-
Due From NJEIT	24,033,630	41,403,346
Bond Service Fund:		
Cash and Cash equivalents	1,921,247	493,100
Bond Reserve Account:		
Cash and Cash equivalents	9,826,056	1,276,063
Investments	3,667,903	15,320,034
Renewal and Extension Account:		
Cash and Cash equivalents	4,000,000	1,994,100
Investments	-	2,005,900
Operations Account:		
Cash and Cash equivalents	14,578,853	10,419,628
Investments	4,000,000	2,907,500
Unemployment Compensation Insurance:		
Cash and Cash equivalents	439,467	94,219
Investments	85,352	382,752
Total Restricted Assets	142,805,154	76,296,642
Non-Current Assets:		
<u>Capital Assets:</u>		
Land	33,260,191	33,260,191
Infrastructure and Improvements	450,273,971	416,204,647
Machinery, Vehicles and Equipment	22,099,051	15,526,969
Less: Accumulated Depreciation	(227,379,319)	(217,004,157)
Total Capital Assets	278,253,894	247,987,650
TOTAL ASSETS	\$ 482,000,901	\$ 365,344,915

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

	2023	2021
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Deferred Outflows:		
Water Bank - Deferred Expense	3,313,428	4,340,821
Unamortized Costs in Excess of Refunded Debt, Net of Amortization	1,760,934	2,134,460
Deferred Outflows Related to OPEB	9,666,239	11,552,242
Deferred Outflows Related to Pensions	4,276,662	7,064,274
TOTAL DEFERRED OUTFLOWS OF RESOURCES	19,017,263	25,091,797
 <u>LIABILITIES</u>		
Current Liabilities:		
<u>Payable from Unrestricted Assets:</u>		
Accounts Payable and Accrued Liabilities	\$ 13,895,329	\$ 20,212,882
Accounts Payable - Pension Related	2,783,280	2,984,939
Total Payable from Unrestricted Assets	16,678,609	23,197,821
<u>Payable from Restricted Assets:</u>		
Accrued Interest Payable	104,791	182,547
Notes Payable - Current Portion	-	29,073
Bonds Payable - Current Portion	6,842,534	4,985,147
Leases Payable - Current Portion	71,067	82,118
Total Payable from Restricted Assets	7,018,392	5,278,885
 Non-Current Liabilities:		
Notes Payable - Long-Term Portion	37,233,644	37,233,644
Bonds Payable - Long-Term Portion	151,265,455	59,782,988
Leases Payable - Long-Term Portion	257,715	313,126
Net OPEB Obligation	67,552,221	61,482,072
Net Pension Obligation	30,070,020	33,102,745
Total Non-Current Liabilities	286,379,055	191,914,575
 TOTAL LIABILITIES	 310,076,056	 220,391,281

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

	2023	2021
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows:		
Due To Water Bank	3,313,428	4,340,821
Unamortized Savings from Refunded Debt, Net of Amortization	172,980	218,767
Unamortized Bond Premium, Net of Amortization	7,638,250	2,465,990
Deferred Inflows Related to OPEB	11,139,216	16,327,207
Deferred Inflows Related to Pensions	4,513,576	6,274,899
TOTAL DEFERRED INFLOWS OF RESOURCES	26,777,450	29,627,684
 <u>NET POSITION:</u>		
Net Investment in Capital Assets	100,566,813	186,414,603
Restricted:		
Construction Fund	80,252,646	-
Current Debt Service	1,816,456	310,553
Future Debt Service	13,493,959	16,596,097
Renewal and Extension	4,000,000	4,000,000
Operations	18,578,853	13,327,128
Unemployment Compensation Insurance	524,819	476,971
Unrestricted:		
Designated	608,084	608,084
Undesignated	(55,676,972)	(81,315,689)
TOTAL NET POSITION	\$ 164,164,658	\$ 140,417,747

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

	2023	2022
Operating Revenue:		
Service Agreements	\$ 101,772,143	\$ 94,470,122
Miscellaneous	14,122,954	9,138,329
Sale of Scrap	23,027	25,179
Total Operating Revenue	115,918,124	103,633,630
Operating Expenses:		
Cost of Providing Services	59,888,032	56,874,114
Administrative and General	18,884,189	16,988,784
Depreciation Expense	9,771,483	11,660,873
Total Operating Expenses	88,543,704	85,523,771
Operating Income	27,374,420	18,109,859
Non-Operating Revenue (Expenses):		
Interest on Investments	1,498,549	527,832
Finance Charges	1,274,565	260,697
Interest Expense	(2,322,935)	(2,862,322)
Bond Issuance Costs	(332,720)	-
Loss on Disposal of Asset	(901,240)	(153,155)
Other Postemployment Benefit Obligation	(2,768,161)	(1,866,716)
Amortization Expense	(75,567)	132,729
Non-Operating Income (Loss)	(3,627,509)	(3,960,935)
Change In Net Position	23,746,911	14,148,924
Net Position - January 1	140,417,747	126,268,823
Net Position - December 31	\$ 164,164,658	\$ 140,417,747

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,

	2023	2022
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 109,150,995	\$ 102,941,389
Cash Paid to Vendors and Employees	(89,769,500)	(71,046,415)
Net Cash Provided by Operating Activities	19,381,495	31,894,974
Cash Flow from Investing Activities:		
Interest Received	2,773,114	788,529
(Increase) Decrease in Investments	12,673,385	(16,081,250)
Net Cash Provided by (used in) Investing Activities	15,446,499	(15,292,721)
Cash Flow from Financing Activities:		
Principal Payment on Bonds and Notes	93,339,854	(9,700,205)
Interest Paid on Bonds and Notes	(2,400,691)	(2,829,721)
Proceeds from Issuance of Notes	(29,072)	29,073
Capital Expenditures	(40,938,967)	(25,574,803)
NJEIT Receipts	13,734,842	2,420,832
Lease Payments	(66,462)	(18,496)
Bond Premium Received	5,424,431	-
Net Cash Used in Financing Activities	68,731,215	(35,673,320)
Net Increase/(Decrease) in Cash and Cash Equivalents	103,559,209	(19,071,067)
Cash and Cash Equivalents at Beginning of Year	21,692,710	40,763,777
Cash and Cash Equivalents at End of Year	\$ 125,251,919	\$ 21,692,710
Analysis of Balance:		
Unrestricted	\$ 14,233,650	\$ 7,415,600
Restricted	111,018,269	14,277,110
	\$ 125,251,919	\$ 21,692,710

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>2023</u>	<u>2022</u>
OPERATING INCOME (LOSS)	\$ <u>27,374,420</u>	\$ <u>18,109,859</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	9,771,483	11,660,873
Decrease (Increase) in Accounts Receivable	(6,768,574)	(688,707)
Decrease (Increase) in Other Receivable	1,445	(3,534)
Decrease (Increase) in Inventory	(2,469,757)	(304,487)
Decrease (Increase) in Prepaid Expenses	(1,874)	(24,754)
Increase (Decrease) in Accounts Payable	<u>(8,525,648)</u>	<u>3,145,724</u>
Total Adjustments	<u>(7,992,925)</u>	<u>13,785,115</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	\$ <u><u>19,381,495</u></u>	\$ <u><u>31,894,974</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, 2023 AND 2022**

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, 2023 AND 2022
(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, 2023 AND 2022
(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, 2023 AND 2022
(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, 2023 AND 2022
(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, 2023 AND 2022
(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.

	<u>Balance</u> <u>Dec.31, 2022</u>	<u>Net</u> <u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>Dec.31, 2023</u>
Land	\$33,260,191	\$	\$	\$33,260,191
Infrastructure & Improvements	416,204,647	38,171,126		454,375,773
Machinery, Vehicles & Equipment	<u>15,526,969</u>	<u>3,371,520</u>	<u>901,240</u>	<u>17,997,249</u>
	464,991,807	41,542,646	901,240	505,633,213
Less: Accumulated Depreciation	<u>(217,004,157)</u>	<u>(12,697,566)</u>	<u>(2,322,404)</u>	<u>(227,379,319)</u>
Property, Plant and Equipment, Net	<u>\$247,987,650</u>	<u>\$28,845,080</u>	<u>(\$1,421,164)</u>	<u>\$278,253,894</u>

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(CONTINUED)**

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

E. Property, Plant and Equipment, (continued)

	<u>Balance Dec.31, 2021</u>	<u>Net Additions</u>	<u>Deletions</u>	<u>Balance Dec.31, 2022</u>
Land	\$33,260,191	\$	\$	\$33,260,191
Infrastructure & Improvements	391,906,752	24,297,895		416,204,647
Machinery, Vehicles & Equipment	<u>14,673,722</u>	<u>1,276,908</u>	<u>423,661</u>	<u>15,526,969</u>
	439,840,665	25,574,803	423,661	464,991,807
Less: Accumulated Depreciation	<u>(205,613,790)</u>	<u>(11,660,873)</u>	<u>(270,506)</u>	<u>(217,004,157)</u>
Property, Plant and Equipment, Net	<u>\$234,226,875</u>	<u>\$13,913,930</u>	<u>\$153,155</u>	<u>\$247,987,650</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, 2023 AND 2022
(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, 2023 AND 2022
(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, 2023 AND 2022
(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
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(CONTINUED)**

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 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.

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.

In December 2023, the Government Accounting Standards Board issued GASB Statement No. 102, *Certain Risk Disclosures*. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, 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
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(CONTINUED)**

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.

As of December 31, 2023, the Commission’s cash and cash equivalents are summarized as follows:

	<u>2023</u>	<u>2022</u>
Unrestricted	\$14,233,650	\$7,415,600
Restricted	<u>111,018,269</u>	<u>14,277,110</u>
	<u>\$125,251,919</u>	<u>\$21,692,710</u>

The carrying amount of the Commission’s cash and cash equivalents at December 31, 2023 was \$125,251,919 and the bank balance was \$110,398,929. This entire amount was covered by federal depository insurance and the collateral pool maintained by the banks as required by New Jersey Statutes.

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(CONTINUED)**

NOTE 3. CASH AND CASH EQUIVALENTS, (continued)

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, 2023, \$-0- of the Commission's bank balance of \$110,398,929 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.

The Passaic Valley Water Commission had the following investments valued at cost, which approximates fair value, at December 31, 2023 and 2022, respectively:

<u>Investment Type</u>	<u>Carrying Amount</u>	<u>Face Amount</u>	<u>Investment Maturities (in years)</u>		
			<u><1</u>	<u>1-5</u>	<u>>5</u>
<u>2023</u>					
Government and Other Bonds	<u>\$8,582,801</u>	<u>\$8,582,801</u>	<u>\$8,582,801</u>	<u>-</u>	<u>-</u>
	<u>8,582,801</u>	<u>8,582,801</u>	<u>8,582,801</u>	<u>-</u>	<u>-</u>
<u>2022</u>					
Government and Other Bonds	<u>\$21,256,186</u>	<u>\$21,256,186</u>	<u>\$21,256,186</u>	<u>-</u>	<u>-</u>
	<u>21,256,186</u>	<u>21,256,186</u>	<u>21,256,186</u>	<u>-</u>	<u>-</u>

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(CONTINUED)**

NOTE 4. INVESTMENTS, (continued)

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. New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days, however, the Commission's general bond resolution limits the length of time for investments to 365 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; 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 \$10,000,000 limit on the amount it may invest in any one issuer.

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**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(CONTINUED)**

NOTE 5. NEW JERSEY ENVIRONMENTAL INFRASTRUCTURE TRUST

Concentration of Credit Risk, (continued)

The Commission issued bonds in 2022 and 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, 2022</u>	\$	<u>Issued</u>	Less: Amounts <u>Received</u>	Balance <u>Dec.31, 2023</u>
Project No. 1605002-25B	\$3,966,317			\$1,856,180	2,110,137
Project No. 1605002-25B (Prin. Forgiveness)	1,438,326			673,116	765,210
Project No. 1605002-002	<u>35,998,703</u>			<u>11,205,546</u>	<u>24,793,157</u>
	<u>\$41,403,346</u>		<u>\$0</u>	<u>\$13,734,842</u>	<u>\$27,668,504</u>

	Balance <u>Dec.31, 2021</u>	\$	<u>Issued</u>	Less: Amounts <u>Received</u>	Balance <u>Dec.31, 2022</u>
Project No. 1605002-25A	\$715,018			\$715,018	\$0
Project No. 1605002-25B	4,311,878			345,561	3,966,317
Project No. 1605002-25B (Prin. Forgiveness)	1,563,638			125,312	1,438,326
Project No. 1605002-002	<u>37,233,644</u>			<u>1,234,941</u>	<u>35,998,703</u>
	<u>\$6,590,534</u>		<u>\$37,233,644</u>	<u>\$2,420,832</u>	<u>\$41,403,346</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, 2023 AND 2022
(CONTINUED)**

NOTE 6. LONG-TERM DEBT

The Commission has issued and has outstanding the following bonds as of December 31, 2023 and 2022:

	<u>2022</u>	<u>Issued</u>	<u>Paid/ Refunded</u>	<u>2023</u>
Series 2007 A&B NJ Environmental Infrastructure Trust Bonds	\$461,613	\$	\$146,613	\$315,000
Series 2009B Revenue Bonds	12,185,000		-	12,185,000
Series 2010 A&B NJ Environmental Infrastructure Trust Bonds	1,365,056		209,723	1,155,333
Series 2014 Revenue Bonds	13,745,000		995,000	12,750,000
Series 2015 Refunding Bonds	3,625,000		730,000	2,895,000
Series 2017 NJ Environmental Infrastructure Trust Bonds	20,611,466		858,810	19,752,656
Series 2017 A Refunding Bonds	1,005,000		490,000	515,000
Series 2017 B Refunding Bonds	11,770,000		1,555,000	10,215,000
Series 2023 Revenue Bonds		<u>98,325,000</u>		<u>98,325,000</u>
Net Carrying Amount of Debt	<u>\$64,768,135</u>	<u>\$98,325,000</u>	<u>\$4,985,146</u>	<u>\$158,107,989</u>
Current Portion	4,985,147			6,842,534
Long-Term Portion	<u>59,782,988</u>			<u>151,265,455</u>
	<u>\$64,768,135</u>			<u>\$158,107,989</u>
	<u>2021</u>	<u>Issued</u>	<u>Paid/ Refunded</u>	<u>2022</u>
Series 2002A&B NJ Environmental Infrastructure Trust Bonds	\$157,526	\$	\$157,526	\$0
Series 2003 Refunding Bonds	4,175,000		4,175,000	0
Series 2007A&B NJ Environmental Infrastructure Trust Bonds	650,756		189,143	461,613
Series 2009B Revenue Bonds	12,185,000		-	12,185,000
Series 2010A&B NJ Environmental Infrastructure Trust Bonds	1,569,779		204,723	1,365,056
Series 2014 Revenue Bonds	14,700,000		955,000	13,745,000
Series 2015 Refunding Bonds	4,800,000		1,175,000	3,625,000
Series 2017 NJ Environmental Infrastructure Trust Bonds	21,470,279		858,813	20,611,466
Series 2017A Refunding Bonds	1,475,000		470,000	1,005,000
Series 2017B Refunding Bonds	<u>13,285,000</u>		<u>1,515,000</u>	<u>11,770,000</u>
Net Carrying Amount of Debt	<u>\$74,468,340</u>	<u>\$0</u>	<u>\$9,700,205</u>	<u>\$64,768,135</u>
Current Portion	9,700,205			4,985,147
Long-Term Portion	<u>64,768,135</u>			<u>59,782,988</u>
	<u>\$74,468,340</u>			<u>\$64,768,135</u>

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(CONTINUED)**

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>
2024	\$6,882,534	\$6,087,693	\$12,970,227
2025	6,831,535	6,159,910	12,991,445
2026	7,101,534	5,886,417	12,987,951
2027	6,975,534	5,606,474	12,582,008
2028	6,540,251	5,355,788	11,896,039
2029	6,651,811	5,110,929	11,762,740
2030	4,953,811	4,837,286	9,791,097
2031-2035	24,574,056	20,909,710	45,483,766
2036-2040	23,444,056	15,501,317	38,945,373
2041-2045	23,374,055	10,566,550	33,940,605
2046-2050	24,328,812	6,180,000	30,508,812
2051-2053	<u>16,450,000</u>	<u>1,333,200</u>	<u>17,783,200</u>
	<u>\$158,107,989</u>	<u>\$93,535,274</u>	<u>\$251,643,263</u>

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, 2023, the outstanding principal and interest on the Series 2007A&B NJEIT Bonds is as follows:

<u>Year</u>	<u>Series 2007A&B Trust Portion</u>		<u>Total</u>
	<u>Principal</u>	<u>Interest</u>	
2024	75,000	15,738	90,738
2025	75,000	11,913	86,913
2026	80,000	8,088	88,088
2027	<u>85,000</u>	<u>4,038</u>	<u>89,038</u>
	<u>\$315,000</u>	<u>\$39,777</u>	<u>\$354,777</u>

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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, 2023, 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>	
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>\$9,409,201</u>	<u>\$21,594,201</u>

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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, 2023, the outstanding principal and interest on the Series 2010A&B NJEIT Bonds is as follows:

<u>Year</u>	<u>Series 2010A&B</u>			
	<u>Trust Portion</u>		<u>Fund Portion</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Total</u>
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>\$860,000</u>	<u>\$156,750</u>	<u>\$295,333</u>	<u>\$1,312,083</u>

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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, 2023, 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>
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>\$12,750,000</u>	<u>\$2,987,000</u>	<u>\$15,737,000</u>

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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, 2023, 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>
2024	755,000	126,400	881,400
2025	800,000	88,650	888,650
2026	845,000	48,650	893,650
2027	495,000	14,850	509,850
	<u>\$2,895,000</u>	<u>\$278,550</u>	<u>\$3,173,550</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
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(CONTINUED)**

NOTE 6. LONG-TERM DEBT, (continued)

At December 31, 2023, 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>	
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	69,393	789,417	858,811
2044	69,393	789,418	858,811
2045	69,393	789,418	858,811
2046	69,393	789,418	858,811
	<u>\$1,596,047</u>	<u>\$18,156,609</u>	<u>\$19,752,656</u>

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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, 2023, the outstanding principal and interest on the Series 2017A&B Bonds is as follows:

Year	Series 2017A		Series 2017B		Total
	Principal	Interest	Principal	Interest	
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>\$515,000</u>	<u>\$25,750</u>	<u>\$10,215,000</u>	<u>\$1,089,197</u>	<u>\$11,844,947</u>

At December 14, 2023, the Commission issued Series 2023 Water Supply System Revenue Bonds in the amount of \$98,325,000 to (i) finance various capital improvements to the Commission's water supply, treatment, and distribution system as outlined in the Commission's approved capital budget, including, among other things, construction and replacement of water supply system components; water main, valve and meter replacements; equipment upgrades; acquisition of vehicles and equipment; dam improvements; improvements to pump stations and hydro-turbine generators; water main replacements; upgrades to instrumentation and control systems, together with some additional and/or replacement capital improvements relating to the Commission's water system as the Commission may determine from time to time, together with all work and materials necessary or desire in connection therewith; (ii) fund a deposit to the Bond Reserve Fund to increase the amount therein to an amount equal to the Bond Reserve Requirement (as each such term is defined in Resolution); and (iii) pay certain costs and expenses incidental to the issuance and delivery of the Bonds, including payment of the bond insurance premium.

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(CONTINUED)**

NOTE 6. LONG-TERM DEBT, (continued)

Series 2023 Water Supply System Revenue Bonds

At December 31, 2023, the outstanding principal and interest of the Series 2023 Bonds is as follows:

<u>Year</u>	<u>Series 2023</u>		
	<u>Principal</u>	<u>Principal</u>	<u>Total</u>
2024	\$1,825,000	\$4,102,699	\$5,927,699
2025	1,585,000	4,344,100	5,929,100
2026	1,665,000	4,264,850	5,929,850
2027	1,750,000	4,181,600	5,931,600
2028	1,835,000	4,094,100	5,929,100
2029	1,925,000	4,002,350	5,927,350
2030	2,025,000	3,906,100	5,931,100
2031	2,125,000	3,804,850	5,929,850
2032	2,230,000	3,698,600	5,928,600
2033	2,340,000	3,587,100	5,927,100
2034	2,460,000	3,470,100	5,930,100
2035	2,580,000	3,347,100	5,927,100
2036	2,710,000	3,218,100	5,928,100
2037	2,845,000	3,082,600	5,927,600
2038	2,990,000	2,940,350	5,930,350
2039	3,140,000	2,790,850	5,930,850
2040	3,295,000	2,633,850	5,928,850
2041	3,460,000	2,469,100	5,929,100
2042	3,635,000	2,296,100	5,931,100
2043	3,815,000	2,114,350	5,929,350
2044	4,005,000	1,923,600	5,928,600
2045	4,165,000	1,763,400	5,928,400
2046	4,335,000	1,596,800	5,931,800
2047	4,505,000	1,423,400	5,928,400
2048	4,685,000	1,243,200	5,928,200
2049	4,875,000	1,055,800	5,930,800
2050	5,070,000	860,800	5,930,800
2051	5,270,000	658,000	5,928,000
2052	5,480,000	447,200	5,927,200
2053	5,700,000	228,000	5,928,000
	<u>\$98,325,000</u>	<u>\$79,549,049</u>	<u>\$177,874,049</u>

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(CONTINUED)**

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.

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. 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, 2023 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>
2024	\$88,811	95.24%	\$84,582
2025	91,475	90.70%	82,971
2026	94,219	86.38%	81,390
2027	<u>97,046</u>	<u>82.27%</u>	<u>79,840</u>
Lodi Lease Payable			<u>\$328,783</u>
Current Portion			84,582
Long-Term Portion			<u>244,200</u>
			<u>\$328,782</u>

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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 annual financial statements, which can be found at 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:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60^a 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
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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</u>	<u>Percentage</u>	<u>Net</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>	<u>Pension</u>
	<u>Cost (APC)</u>	<u>Contributed</u>	<u>Obligation</u>
12/31/23	\$2,766,093	9.20%	\$30,070,020
12/31/22	\$2,563,292	7.74%	\$33,102,745
12/31/21	\$2,458,980	9.48%	\$25,929,140

<u>Three Year Trend Information DCRP</u>	
<u>Year</u>	<u>DCRP</u>
<u>Funding</u>	<u>Contributions</u>
12/31/23	\$111,318
12/31/22	\$485,731
12/31/21	\$104,312

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

Public Employees Retirement System (PERS)

At December 31, 2023 and 2022, the Commission reported a liability of \$30,070,020 and \$33,102,745, respectively, for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the Commission's proportion was 0.2076031732 percent, which was an decrease of 0.0001174557 percent from its proportion measured as of June 30, 2022.

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
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(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, 2023 and 2022, the Commission recognized pension expense (benefit) of \$566,578 and \$(1,028,069), respectively. At December 31, 2023, the Commission reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>2023</u>	<u>2022</u>
Deferred Outflows of Resources:		
Changes of assumptions	\$204,534	\$102,563
Net difference between projected and actual earnings on pension plan investments	287,508	238,920
Changes in proportion and differences between the Commission's contributions and proportionate share of contributions	1,001,340	3,737,852
Commission contributions subsequent to the measurement date	<u>2,783,280</u>	<u>2,984,939</u>
Total	<u>\$4,276,662</u>	<u>\$7,064,274</u>
Deferred Inflows of Resources:		
Net difference between projected and actual earnings on pension plan investments	\$1,945,289	\$5,167,485
Changes in proportion and differences between Commission contributions and proportionate share of contributions	1,572,264	124,115
Other deferred pension adjustments	<u>996,023</u>	<u>983,299</u>
Total	<u>\$4,513,576</u>	<u>\$6,274,899</u>

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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, 2022) 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>2023</u>	<u>2022</u>
Year ended December 31:		
2023		(2,839,520)
2024	(1,587,585)	(1,446,640)
2025	(886,129)	(705,498)
2026	1,238,306	1,539,130
2027	(221,608)	(3,381)
2028	3,769	

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 5.08, 5.04, 5.13, 5.16, 5.21, 5.63 and 5.48 years for 2023, 2022, 2021, 2020, 2019 and 2018 amounts, respectively.

Additional Information

Local Group Collective balances net of nonemployer (State of New Jersey) balances at December 31, 2023 and 2022 are as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Collective deferred outflows of resources	\$1,080,204,730	\$1,660,772,008
Collective deferred inflows of resources	1,780,216,457	3,236,303,935
Collective net pension liability	14,606,489,066	15,219,184,920
Commission's Proportion	0.2076031732%	0.2193487442%

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

Actuarial Assumptions

The collective total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which rolled forward to June 30, 2023. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75-6.55% (based on years of service)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the July 1, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. 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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(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)

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, 2023) 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, 2023 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	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Market Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
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(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, 2023. 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, 2023, 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, 2023		
	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	\$39,474,790	\$30,070,020	\$22,534,606

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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, 2022		
	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	\$42,887,493	\$33,102,745	\$25,294,462

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.

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, 2023 AND 2022
(CONTINUED)**

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

Total OPEB Liability

At December 31, 2023 and 2022, the Commission had a liability of \$67,552,221 and \$61,482,072, respectively, for its share of the non-special funding net OPEB liability. The net OPEB liability was measured as of December 31, 2022 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, 2023, the Commission recognized OPEB expense of \$5,200,421. At December 31, 2023 and 2022, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>2023</u>	<u>2022</u>
Deferred Outflows of Resources:		
Changes of assumptions	<u>\$9,666,239</u>	<u>\$11,552,242</u>
Total	<u>\$9,666,239</u>	<u>\$11,552,242</u>
Deferred Inflows of Resources:		
Net difference between projected and actual earnings on pension plan investments	<u>\$11,139,216</u>	<u>\$16,327,207</u>
Total	<u>\$11,139,216</u>	<u>\$16,327,207</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>2023</u>	<u>2022</u>
Year ended December 31:		
2023		325,685
2024	(867,471)	(1,783,136)
2025	(462,307)	(1,169,762)
2026	(649,495)	(1,461,055)
2027	124,863	(686,697)
2028	381,433	
Thereafter	-	-

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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, 2023
Actuarial valuation date:	December 31, 2023
Actuarial cost method:	Entry Age Normal
Discount rate:	The discount rate used to measure the total OPEB liability was 4.00%. Because the plan is unfunded, the plan's projected benefits are discounted back using rates equivalent to S&P Municipal Bond 20 Year Rate Index as of December 31, 2023. The prior valuation used 4.31%.
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>	
	25+ years of service	<25 Years of Service
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
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(CONTINUED)**

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

Utilization:	100% 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 7.5% in 2023 and decreasing linearly by 0.25% each year to an ultimate annual increase of 4.5%.
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 actual ages of enrolled participants and aging factors. The Direct 10 premium of \$1,061.50 was used to determine the portion the retired participant portion pays. The post-65 premium was \$544.74.

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:

	<u>December 31, 2023</u>		
	1% Decrease <u>3.00%</u>	At Current Discount Rate <u>4.00%</u>	1% Increase <u>5.00%</u>
Commission's proportionate share of Net OPEB liability	\$79,056,186	\$67,552,221	\$58,388,270

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

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

	December 31, 2022		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>3.31%</u>	<u>4.31%</u>	<u>5.31%</u>
Commission's proportionate share of Net OPEB liability	\$71,642,951	\$61,482,072	\$53,356,961

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, 2023		
	1%	Healthcare Cost	1%
	<u>Decrease</u>	<u>Trend Rate</u>	<u>Increase</u>
Commission's proportionate share of Net OPEB liability	\$57,286,636	\$67,552,221	\$80,752,962

	December 31, 2022		
	1%	Healthcare Cost	1%
	<u>Decrease</u>	<u>Trend Rate</u>	<u>Increase</u>
Commission's proportionate share of Net OPEB liability	\$52,869,283	\$61,482,072	\$72,449,591

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, 2023 AND 2022
(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, 2023 and 2022, the amounts required by bond resolution were as follows:

	<u>2023</u>	<u>2022</u>
Cash and Investments on Hand	<u>\$1,816,450</u>	<u>\$310,553</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 its future debt service requirement. At December 31, 2023, the amounts required by bond resolution were as follows:

	<u>Debt Service Reserve Requirement</u>	<u>Maximum Bond Surety Coverage</u>
Series 2007A&B NJEIT Bonds	31,500	250,750
Series 2009B Bonds	1,120,000	
Series 2010A&B NJEIT Bonds	115,533	
Series 2014 Bonds	1,275,000	
Series 2015 Refunding Bonds	289,000	
Series 2017A&B Refunding Bonds	1,073,000	

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(CONTINUED)**

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

In addition to the insurance policies, the Commission has reserved \$16,596,097 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, 2023 and 2022, the amounts required by bond resolution were as follows:

	<u>2023</u>	<u>2022</u>
Cash and Investments on Hand	\$4,048,769	\$4,511,638
Renewal and Extension Requirement	<u>4,000,000</u>	<u>4,000,000</u>
Excess (Deficit)	<u>\$48,769</u>	<u>\$511,638</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, 2023 and 2022, the amounts of cash and investments on hand were as follows:

	<u>2023</u>	<u>2022</u>
Cash and Investments on Hand	<u>\$18,578,853</u>	<u>\$13,327,128</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, 2023 AND 2022
(CONTINUED)**

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

At December 31, 2023, the bond service coverage ratio was calculated as follows:

	<u>2023</u>	<u>2022</u>
Net Operating Income (including interest and Finance charges, excluding depreciation)	\$39,919,017	\$30,559,261
Bond Service Requirement	12,970,227	7,129,375
Debt Service Coverage Ratio	3.08	4.29

All principal and interest payments were made on a timely basis during the 2022 fiscal year and through the date of this report.

NOTE 11. COMMITMENTS AND CONTINGENT LIABILITIES

As of December 31, 2023, 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, 2023, coverage was as follows:

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(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, 2023 AND 2022
(CONTINUED)**

NOTE 14. OTHER MATTERS, (continued)

Storage Tank Project

As of December 2022, the design for Levine reservoir was progressing forward to install two (2) 2.5-million-gallon (MG) storage tanks on the site of the existing reservoir. This design is expected to be bid out for construction in the Spring of 2024 and is currently estimated to cost \$30 million with funding through the NJ Water Bank and up to \$2 million in principal forgiveness anticipated. The project is expected to take three (3) years to construct. Currently, PVWC is reevaluating storage requirements to build storage tanks at the New Street and Great Notch reservoirs. The sequencing and timing of that work and other needed system improvements is currently under evaluation. PVWC is in discussion with federal and state regulators to determine the appropriate compliance schedules for the work planned for New Street and Great Notch as well as other related system improvements.

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>2023</u>	<u>2022</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, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
OPEB Related	\$(69,025,198)	\$(66,257,037)
Pension Related	(30,306,934)	(32,313,370)
Available for Use in Future Budgets	<u>43,655,160</u>	<u>17,254,718</u>
	<u>(\$55,676,972)</u>	<u>(\$81,315,689)</u>

**PASSAIC VALLEY WATER COMMISSION
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022
(CONTINUED)**

NOTE 16. SUBSEQUENT EVENTS

The Commission has evaluated subsequent events through September 18, 2024, 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</u> <u>Liability</u>	<u>Plan Fiduciary</u> <u>Net Position</u>	<u>Net OPEB</u> <u>Liability</u>
Balance at January 1, 2023	\$ 61,482,072	\$ -	\$ 61,482,072
Changes for the year:			
Service cost	1,465,161	-	1,465,161
Interest	2,598,015	-	2,598,015
Difference between expected and actual experience	-	-	-
Assumption changes	4,439,233	-	4,439,233
Contributions - employer	-	2,432,260	(2,432,260)
Contributions - employee	-	-	-
Net investment income	-	-	-
Benefit payments	(2,432,260)	(2,432,260)	-
Administrative expense	-	-	-
Other changes	-	-	-
Net Changes	<u>6,070,149</u>	<u>-</u>	<u>6,070,149</u>
Balance at December 31, 2023	<u>\$ 67,552,221</u>	<u>\$ -</u>	<u>\$ 67,552,221</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 Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Commission's Proportion of the Net Pension Liability	0.2076031732%	0.2193487442%	0.2188759702%	0.2141165442%	0.2074724706%	0.1877759466%	0.1926936638%	0.1862240656%	0.1800307948%	0.1628908896%
Commission's Proportionate Share of the Net Position Liability	\$ 30,070,020	\$ 33,102,745	\$ 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	\$ 17,947,712	\$ 15,575,953	\$ 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	167.54%	212.52%	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 Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually Required contribution	\$ 2,766,093	\$ 2,563,292	\$ 2,458,980	\$ 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	(2,766,093)	(2,563,292)	(2,458,980)	(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	\$ 17,947,712	\$ 15,575,953	\$ 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	15.41%	16.46%	15.25%	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, 2023

Other Postemployment Benefits

Plan Membership as of December 31, 2023

Number of Actives with coverage		194
Number of Retirees and Dependents covered		213
		407

Covered Payroll \$ 22,828,867

Average Future Service 5.47

Total December 31, 2023 OPEB Liability by Active/Inactive

Active Employees		\$ 31,831,566
Inactive Participants		35,720,655
Total OPEB Liability		\$ 67,552,221

Net OPEB Liability as a Percentage of Covered Payroll 295.91%

PASSAIC VALLEY WATER COMMISSION
Note to Required Supplementary Information
For the Year Ended December 31, 2023

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 no change in the municipal bond index rate from the prior measurement date to the current measurement date resulting in the discount rate of 7.50%. This discount rate is considered to be a change in actuarial assumptions under GASBS No. 68.

Supplementary Schedules

PASSAIC VALLEY WATER COMMISSION

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

	Net Investment in Capital Assets	Restricted					Unrestricted		Total
		Construction Fmd Reserve	Current Debt Service Reserve	Future Debt Service Reserve	Renewal and Extension Reserve	Operations Reserve	Unemployment Compensation Insurance	Designated	
Operating Revenue:									
Service Agreements	-	-	-	-	-	-	-	101,772,143	101,772,143
Miscellaneous								14,122,954	14,122,954
Sale of Scrap								23,027	23,027
Total Operating Revenue	-	-	-	-	-	-	-	115,918,124	115,918,124
Operating Expense:									
Cost of Providing Services								59,888,032	59,888,032
Administrative and General	9,771,483							18,884,189	18,884,189
Depreciation								9,771,483	9,771,483
Total Operating Expense	9,771,483	-	-	-	-	-	-	78,772,221	88,543,704
Operating Income	(9,771,483)	-	-	-	-	-	-	37,145,903	27,374,420
Non-Operating Revenue (Expense):									
Interest Income								1,498,549	1,498,549
Finance Charges								1,274,565	1,274,565
Interest Expense	(332,720)							(2,322,935)	(2,322,935)
Bond Issuance Costs	(901,240)							(332,720)	(332,720)
Loss on Disposal of Asset								(901,240)	(901,240)
Other Postemployment Benefit Obligation	(75,567)							(2,768,161)	(2,768,161)
Amortization								-	(75,567)
Total Non-Operating Revenue (Expense)	(1,309,527)	-	-	-	-	-	-	(2,317,982)	(3,627,509)
Net Income (Loss) Before Transfers	(11,081,010)	-	-	-	-	-	-	34,827,921	23,746,911
Transfers:									
Capital Expenditures	40,938,967							(40,938,967)	-
Bond Payments	9,700,205							(9,700,205)	-
Lease Payments	66,462							(66,462)	-
NET Receipts	(17,369,716)							17,369,716	-
Other Transfers	(108,102,698)	80,252,646	1,505,903	(3,102,138)	-	5,251,725	-	24,146,714	-
Total Transfers	(85,847,790)	80,252,646	1,505,903	(3,102,138)	-	5,251,725	-	25,638,717	23,746,911
Net Position - Jan. 1, 2023	186,414,603	-	310,553	16,596,097	4,000,000	13,327,128	476,971	(81,315,689)	140,417,747
Net Position - December 31, 2023	100,566,813	80,252,646	1,816,456	13,493,959	4,000,000	18,578,853	524,819	(55,676,972)	164,164,658

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, 2023**

	Bond Service Accounts	Bond Reserve Account	Renewal and Extension Account	Operation Reserve Account
Cash, Cash Equivalents and Investments - January 1, 2023	493,100	16,596,097	4,511,828	13,327,128
Cash Receipts:				
Interest on Investments	336,594	461,979	189,164	561,101
Service Agreements				
Miscellaneous	103,789,807			
Finance Charges				
Transfers	9,124,726			7,792,762
Total Cash Receipts	<u>113,251,127</u>	<u>461,979</u>	<u>189,164</u>	<u>8,353,863</u>
Cash and Investments Available	<u>113,744,227</u>	<u>17,058,076</u>	<u>4,700,992</u>	<u>21,680,991</u>
Cash Disbursements:				
Bond Principal Payments	4,985,146			
Interest Payments	2,400,691			
Operations				
Capital and Other Expenses				
Transfers	104,437,143	3,564,117	652,033	3,102,138
Total Cash Disbursements	<u>111,822,980</u>	<u>3,564,117</u>	<u>652,033</u>	<u>3,102,138</u>
Cash, Cash Equivalents and Investments - December 31, 2023	<u>1,921,247</u>	<u>13,493,959</u>	<u>4,048,959</u>	<u>18,578,853</u>
Analysis of Balance:				
Cash and Cash Equivalents	1,921,247	9,826,056	4,048,959	14,578,853
Investments		3,667,903	-	4,000,000
	<u>1,921,247</u>	<u>13,493,959</u>	<u>4,048,959</u>	<u>18,578,853</u>
Unrestricted	1,428,147		48,959	
Restricted	493,100	13,493,959	4,000,000	18,578,853
	<u>1,921,247</u>	<u>13,493,959</u>	<u>4,048,959</u>	<u>18,578,853</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, 2023**

	Construction Account	Unemployment Insurance Account	General Operating Accounts	Total
Cash, Cash Equivalents and Investments - January 1, 2023	-	476,971	7,543,772	42,948,896
Cash Receipts:				
Interest on Investments	-	8,697	2,773,114	4,330,649
Service Agreements			102,941,389	102,941,389
Miscellaneous		39,151	2,420,832	106,249,790
Finance Charges			260,697	260,697
Transfers	80,252,646		15,916,533	113,086,667
Total Cash Receipts	<u>80,252,646</u>	<u>47,848</u>	<u>124,312,565</u>	<u>326,869,192</u>
Cash and Investments Available	<u>80,252,646</u>	<u>524,819</u>	<u>131,856,337</u>	<u>369,818,088</u>
Cash Disbursements:				
Bond Principal Payments				4,985,146
Interest Payments			6,425,029	8,825,720
Operations			71,046,415	71,046,415
Capital and Other Expenses			38,039,420	38,039,420
Transfers			1,331,236	113,086,667
Total Cash Disbursements	<u>-</u>	<u>-</u>	<u>116,842,100</u>	<u>235,983,368</u>
Cash, Cash Equivalents and Investments - December 31, 2023	<u>80,252,646</u>	<u>524,819</u>	<u>15,014,237</u>	<u>133,834,720</u>
Analysis of Balance:				
Cash and Cash Equivalents	80,252,646	439,467	14,184,691	125,251,919
Investments	-	85,352	829,546	8,582,801
	<u>80,252,646</u>	<u>524,819</u>	<u>15,014,237</u>	<u>133,834,720</u>
Unrestricted	-	-	13,586,090	15,063,196
Restricted	80,252,646	524,819	1,428,147	118,771,524
	<u>80,252,646</u>	<u>524,819</u>	<u>15,014,237</u>	<u>133,834,720</u>

**PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2023**

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Current Year Actual	Excess / (Deficit)	Prior Year Actual
Revenues:					
Service Charges	58,681,998	58,681,998	59,009,706	327,708	56,402,533
Service Agreements (Bulk)	37,584,747	37,584,747	42,762,437	5,177,690	38,067,589
Fines / Penalties	-	-	1,274,565	1,274,565	260,697
Fire Line Service	6,984,605	6,984,605	6,000,232	(984,373)	6,664,518
Other Services and Repairs	5,969,027	5,969,027	8,145,749	2,176,722	2,498,990
Non-operating Investments	1,000,000	1,000,000	1,498,549	498,549	527,832
Total Operating Revenues	110,220,377	110,220,377	118,691,238	8,470,861	104,422,159

**PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2023**

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Current Year Actual	Excess / (Deficit)	Prior Year Actual
Expenses:					
Operating:					
Cost of Providing Services:					
Executive					
Salaries and Wages	1,637,940	1,637,940	942,687	695,253	797,688
Other Expenses	55,500	55,500	65,311	(9,811)	41,203
Legal					
Salaries and Wages	178,000	178,000	156,059	21,941	168,063
Other Expenses	811,000	811,000	315,667	495,333	486,149
Engineering					
Salaries and Wages	2,127,700	2,127,700	2,181,838	(54,138)	2,170,127
Other Expenses	721,700	721,700	1,508,285	(786,585)	1,475,089
Purchasing					
Salaries and Wages	421,100	421,100	453,272	(32,172)	346,030
Other Expenses	45,500	45,500	41,177	4,323	10,311
Accounting					
Salaries and Wages	1,514,800	1,514,800	1,269,602	245,198	1,241,086
Other Expenses	104,000	104,000	131,869	(27,869)	132,430
Customer Service					
Salaries and Wages	1,356,400	1,356,400	1,071,119	285,281	1,059,601
Other Expenses	1,177,000	1,177,000	1,187,076	(10,076)	1,328,645
Information Technology					
Salaries and Wages	868,200	868,200	773,867	94,333	-
Other Expenses	2,963,982	2,963,982	314,576	2,649,406	112,290
Environmental Health and Safety					
Salaries and Wages	471,900	471,900	263,595	208,305	-
Other Expenses	190,000	190,000	17,943	172,057	-
Communications					
Salaries and Wages	264,400	264,400	147,382	117,018	-
Other Expenses	41,500	41,500	6,838	34,662	-
Personnel					
Salaries and Wages	776,600	776,600	607,564	169,036	629,136
Other Expenses	185,600	185,600	34,402	151,198	35,104

**PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2023**

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Current Year Actual	Excess / (Deficit)	Prior Year Actual
Operating:					
Cost of Providing Services (Continued):					
Purification					
Salaries and Wages	1,837,200	1,837,200	1,894,032	(56,832)	1,654,488
Other Expenses	25,000	25,000	51,544	(26,544)	31,420
Process	14,008,123	14,008,123	11,112,626	2,895,497	11,208,493
Pumping					
Salaries and Wages	1,209,900	1,209,900	1,221,073	(11,173)	1,126,037
Other Expenses	6,373,800	6,373,800	7,248,290	(874,490)	5,884,426
Plant:					
Salaries and Wages	4,821,100	4,821,100	4,944,376	(123,276)	4,131,784
Other Expenses	2,251,000	2,251,000	2,614,687	(363,687)	2,164,071
Construction (Non-Capital Expenditures)	355,400	355,400	238,588	116,812	459,984
Distribution					
Salaries and Wages	6,821,600	6,821,600	6,819,728	1,872	5,976,232
Other Expenses	118,100	118,100	176,265	(58,165)	97,666
Maintenance	1,839,900	1,839,900	2,649,310	(809,410)	3,250,318
Garage	530,000	530,000	696,677	(166,677)	520,337
Laboratory:					
Salaries and Wages	2,080,300	2,080,300	1,731,646	348,654	1,688,136
Other Expenses	204,260	204,260	144,742	59,518	50
General Chemistry	925,000	925,000	355,259	569,741	361,370
Trace Analysis	-	-	80,823	(80,823)	69,368
Microbiology	-	-	153,542	(153,542)	136,261
Online Gas Instruments	-	-	114,139	(114,139)	-
Online Water Instruments	-	-	-	-	105,101
Field Gas Instruments	-	-	-	-	4,340
NJDWSC Budget Expense	9,657,696	9,657,696	9,657,694	2	9,657,694
Sub-total Cost of Providing Services	68,971,201	68,971,201	63,395,170	5,576,031	58,560,528

**PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2023**

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Current Year Actual	Excess / (Deficit)	Prior Year Actual
Administrative Expenses:					
Stationary, Postage and Supplies	426,000	426,000	368,683	57,317	415,440
Miscellaneous	543,500	543,500	291,486	252,014	312,557
Telephone	800,000	800,000	679,277	120,723	840,123
Wanaque So. - Lease Expense	150,000	150,000	339,032	(189,032)	138,435
Legal Advertisements	35,000	35,000	8,402	26,598	22,431
Membership Affiliations	60,000	60,000	112,091	(52,091)	9,581
General Liability Insurance	800,000	800,000	730,834	69,166	578,331
Fees and Taxes	666,000	666,000	817,415	(151,415)	601,227
Bad Debt Expense	150,000	150,000	23,363	126,637	41,072
Employee Benefits:					
Worker's Compensation	500,000	500,000	508,379	(8,379)	405,576
Hospitalization / Prescription	12,002,500	12,002,500	10,492,317	1,510,183	9,739,717
Group Life Insurance	15,000	15,000	-	15,000	-
Pension	3,300,000	3,300,000	2,683,058	616,942	3,049,023
Social Security / Medicare	1,587,100	1,587,100	1,795,753	(208,653)	1,365,167
Unemployment and Disability	-	-	24,098	(24,098)	22,427
Dental	135,000	135,000	212,995	(77,995)	121,180
Other	40,000	40,000	34,525	5,475	37,389
Professional Services:					
Auditing	50,000	50,000	46,000	4,000	44,950
Other	230,000	230,000	268,505	(38,505)	159,456
Sub-total Administrative	21,490,100	21,490,100	19,436,213	2,053,887	17,904,082
Sub-total Operating	90,461,301	90,461,301	82,831,383	7,629,918	76,464,610

PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2023

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Current Year Actual	Excess / (Deficit)	Prior Year Actual
Other Costs Funded by Operating Revenues:					
Debt Service:					
Interest Expense	2,435,470	2,435,470	2,322,935	112,535	2,862,322
Capital Leases			82,118	(82,118)	73,718
Bond Principal	5,071,370	5,071,370	4,985,146	86,224	9,700,205
Sub-total Other Costs	7,506,840	7,506,840	7,390,199	116,641	12,636,245
Total Costs Funded by Operating Revenues	97,968,141	97,968,141	90,221,582	7,746,559	89,100,855
Add: Excess / (Deficit)	12,252,236	12,252,236	28,469,656	16,217,420	15,321,304
	<u>110,220,377</u>	<u>110,220,377</u>	<u>118,691,238</u>	<u>(8,470,861)</u>	<u>104,422,159</u>
Excess of Revenues Over Expenses:			28,469,656		15,321,304
Reconciliation of Budgetary Basis to GAAP:					
Depreciation Expense			(9,771,483)		(11,660,873)
Amortization Expense			(75,567)		132,729
Bond Issuance Costs			(332,720)		-
Accrued Sick and Vacation			1,851,067		(1,192,450)
Loss on Disposal of Asset			(901,240)		(153,155)
Capital Leases			82,118		73,718
Bond Principal			4,985,146		9,700,205
Pension Adjustment			2,208,095		3,794,162
Other Postemployment Benefit Obligation			(2,768,161)		(1,866,716)
Total Adjustments			<u>(4,722,745)</u>		<u>(1,172,380)</u>
Change in Net Position			<u>23,746,911</u>		<u>14,148,924</u>

PASSAIC VALLEY WATER COMMISSION

**SCHEDULE OF CAPITAL BUDGET PROGRAM
FUNDED BY FINANCING SOURCES
FOR THE YEAR ENDED DECEMBER 31, 2023**

	FY 2023 Adopted Budget	FY 2023 Budget as Amended	Paid or Charged	Excess / (Deficit)
Financing Sources:				
Unrestricted Net Position Utilized	18,000,000	18,000,000	12,571,676	5,428,324
Debt Authorization	85,315,010	85,315,010	28,367,291	56,947,719
	<u>103,315,010</u>	<u>103,315,010</u>	<u>40,938,967</u>	<u>62,376,043</u>
Capital Outlays:				
Recurring Construction:				
Hydrant Replacement	4,968,289	4,968,289	4,967,340	949
Restoration Work Following Routine Maintenance	2,254,038	2,254,038	242,764	2,011,274
Emergency Services - Water Main Repairs	1,804,257	1,804,257	-	1,804,257
Annual Flushing				-
Maintenance of Capital Equipment	580,000	580,000	363,456	216,544
Vehicles	4,776,242	4,776,242	2,073,253	2,702,989
Production and Pumping:				
Emergency Pump Rehab for MPS	425,000	425,000		425,000
Filter Media	450,000	450,000		450,000
Rehabilitate Chemical System	739,000	739,000	739,000	-
Ozone Generators	350,000	350,000		350,000
Actiflo Clarification Process	235,000	235,000	21,013	213,987
Residuals Treatment	3,500,000	3,500,000		3,500,000
Intake Canal Rehabilitation	400,000	400,000		400,000
Distribution:				
Water Main Replacement	11,614,776	11,614,776	11,432,956	181,820
Water Main & Lead Service Replacement				-
Meter Replacement	2,259,599	2,259,599	245,596	2,014,003
Open Finished Water Reservoirs	29,240,450	29,240,450	1,906,821	27,333,629
Route 46/3 NJDOT Contract 8	1,000,000	1,000,000	27,722	972,278
Lead Service Replacements	11,094,664	11,094,664	11,094,650	14
Replacement of Kearny Multiples	250,000	250,000		250,000
Clifton Yard	1,720,380	1,720,380	1,027,413	692,967
LFTWP & Remote Sites	3,500,000	3,500,000	397,067	3,102,933
Actiflo Feeders & Motor Started Controls	350,000	350,000		350,000
Buildings Offsite	3,340,333	3,340,333	203,957	3,136,376
Ozone System Upgrade	650,000	650,000		650,000
Outside Contractors	810,000	810,000	808,307	1,693
Miscellaneous Upgrade	1,874,500	1,874,500	196,188	1,678,312
Pipes	600,000	600,000		600,000
Pumps	200,000	200,000	107,166	92,834
Source of Supply:				
Wanaque Suction Line at MPS	300,000	300,000		300,000
Instrumentation, Controls and Information Technologies:				
Information Technology	13,255,482	13,255,482	4,803,110	8,452,372
Networking	200,000	200,000		200,000
SCADA	200,000	200,000	199,245	755
CMMS, Inventory & Financial Mgmt	78,000	78,000		78,000
Laboratory/Water Quality Systems	295,000	295,000	81,943	213,057
Total Capital Outlays	<u>103,315,010</u>	<u>103,315,010</u>	<u>40,938,967</u>	<u>62,376,043</u>
Total Costs Funded by Capital Revenue	103,315,010	103,315,010	40,938,967	62,376,043
Add: Excess	<u>-</u>	<u>-</u>	<u>(0)</u>	<u>0</u>
	<u>103,315,010</u>	<u>103,315,010</u>	<u>40,938,967</u>	<u>62,376,043</u>

PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2023	Issued	Redeemed	Balance Dec. 31, 2023
			Date	Amount				
NJEIT Bonds (Series 2007A&B) Trust Portion	11/9/2007	4.25%	2023	70,000.00	385,000		70,000	315,000
		4.50%	2024	75,000.00				
		4.50%	2025	75,000.00				
		4.50%	2026	80,000.00				
		4.25%	2027	85,000.00				
385,000								
NJEIT Bonds (Series 2007A&B) Fund Portion	11/9/2007				76,613		76,613	-
		76,613						
Water Supply Revenue Bonds (Series 2009B)	12/15/2009	7.57%	2025	565,000.00	12,185,000			12,185,000
		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								

PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2023	Issued	Redeemed	Balance Dec. 31, 2023
			Date	Amount				
NJEIT Bonds (Series Fall 2010A) Fund Portion	10/5/2010	n/a	2024	72,723.21				
			2025	72,723.21				
			2026	72,723.21				
			2027	72,723.21				
			2028	4,439.71				
				368,056		72,723	295,333	
NJEIT Bonds (Series 2010B) Trust Portion	12/2/2010	5.00%	2024	146,000.00				
			2025	150,000.00				
			2026	160,000.00				
			2027	164,000.00				
			2028	172,000.00				
						137,000	860,000	
					997,000			
Water Supply Revenue Bonds (Series 2014)	12/15/2014	5.00%	2024	1,045,000.00				
			2025	1,095,000.00				
			2026	1,150,000.00				
			2027	1,210,000.00				
			2028	1,245,000.00				
			2029	1,290,000.00				
			2030	1,350,000.00				
			2031	1,400,000.00				
			2032	1,445,000.00				
			2033	1,520,000.00				
						995,000	12,750,000	
				13,745,000				

PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2023	Issued	Redeemed	Balance Dec. 31, 2023
			Date	Amount				
Water Supply Refunding Bonds (Series 2015)	11/5/2015	5.00%	2024	755,000.00	3,625,000		730,000	2,895,000
		5.00%	2025	800,000.00				
		4.00%	2026	845,000.00				
		3.00%	2027	495,000.00				

PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2023	Issued	Redeemed	Balance Dec. 31, 2023
			Date	Amount				
NJDEP Bonds (Series 2017)	6/19/2017							
Fund Portion Project 1605002-025A								
		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				
					1,665,440		69,393	1,596,047

PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2023	Issued	Redeemed	Balance Dec. 31, 2023
			Date	Amount				
NJDEP Bonds (Series 2017)	6/19/2017							
Fund Portion Project 1605002-025B								
		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				
					18,946,026		789,417	18,156,609

PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2023	Issued	Redeemed	Balance Dec. 31, 2023
			Date	Amount				
Water Supply Refunding Bonds (Series 2017A)	9/27/2017	5.00%	2024	515,000.00	1,005,000		490,000	515,000
Water Supply Refunding Bonds (Series 2017B)	9/27/2017	2.42%	2023	1,555,000.00				
			2024	1,590,000.00				
			2025	1,630,000.00				
			2026	1,675,000.00				
			2027	1,720,000.00				
			2028	1,775,000.00				
			2029	1,825,000.00				
				11,770,000	1,555,000	10,215,000		

PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2023	Issued	Redeemed	Balance Dec. 31, 2023
			Date	Amount				
Water Supply System Revenue Bonds (Series 2023)	12/28/2023	5.00%	2024	1,825,000.00				
		5.00%	2025	1,585,000.00				
		5.00%	2026	1,665,000.00				
		5.00%	2027	1,750,000.00				
		5.00%	2028	1,835,000.00				
		5.00%	2029	1,925,000.00				
		5.00%	2030	2,025,000.00				
		5.00%	2031	2,125,000.00				
		5.00%	2032	2,230,000.00				
		5.00%	2033	2,340,000.00				
		5.00%	2034	2,460,000.00				
		5.00%	2035	2,580,000.00				
		5.00%	2036	2,710,000.00				
		5.00%	2037	28,450,000.00				
		5.00%	2038	29,900,000.00				
		5.00%	2039	3,140,000.00				
		5.00%	2040	3,295,000.00				
		5.00%	2041	3,460,000.00				
		5.00%	2042	3,635,000.00				
		5.00%	2043	3,815,000.00				
		5.00%	2044	4,005,000.00				
		5.00%	2045	4,165,000.00				
		5.00%	2046	4,335,000.00				
		5.00%	2047	4,505,000.00				
		5.00%	2048	4,685,000.00				
		5.00%	2049	4,875,000.00				
		5.00%	2050	5,070,000.00				
		5.00%	2051	5,270,000.00				
		5.00%	2052	5,480,000.00				
		5.00%	2053	5,700,000.00				
						98,325,000		98,325,000

PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Issued	Redeemed	Balance Dec. 31, 2023
			Date	Amount			
			Balance Jan. 1, 2023				
			64,768,135		98,325,000	4,985,146	158,107,989
Current Portion			4,985,147				6,842,534
Noncurrent Portion			59,782,988				151,265,455
			64,768,135				158,107,989

ROSTER OF OFFICIALS AND REPORT ON SURETY BONDS

The following officials were in office at December 31, 2023:

<u>Name</u>		<u>Office</u>
Rigoberto Sanchez	Passaic	President
Jeffrey Levine	Paterson	Vice President
Rigo Sanchez	Passaic	Treasurer
Ruby Cotton	Paterson	Secretary
Carmen DePadua	Paterson	Commissioner
Joseph Kolodziej	Clifton	Commissioner
Ronald Van Rensalier	Passaic	Commissioner
James Mueller		Executive Director
Patrick Porcaro, Jr.		Director of Engineering
Yitzchak Weiss		Chief Financial Officer
Sydel Cohen		Director of Personnel
Yaacov Brisman, 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

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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, 2023, and the related notes to the financial statements, and have issued our report thereon dated September 18, 2024.

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 2023-1).

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.

Wielkocz & Company, LLC

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

September 18, 2024



Single Audit Section



WIELKOTZ & COMPANY ^{CPA}

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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 AND NJ OMB CIRCULAR

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

Report on Compliance for Each Major Federal and State Programs

Opinion on Each Major Federal and State 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 and state programs for the year ended December 31, 2023. Passaic Valley Water Commission's major federal and state 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 and state programs for the year ended December 31, 2023.

Basis for Opinion on Each Major Federal and State Programs

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), and NJ OMB Circular Letter 15-08. 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, NJ OMB Circular 15-08, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Passaic Valley Water Commission's compliance with the requirements of each major federal and state programs as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, the Uniform Guidance, NJ OMB Circular 15-08 we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding 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 and NJ OMB Circular 15-08, 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 and NJ OMB Circular 15-08 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.



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 and NJ OMB Circular 15-08. Accordingly, this report is not suitable for any other purpose.

Wielkotz & Company, LLC

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

September 18, 2024



PASSAIC VALLEY WATER COMMISSION

SCHEDULE OF EXPENDITURES OF FEDERAL FINANCIAL ASSISTANCE

DECEMBER 31, 2023

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			
U.S. Department of Housing and Urban Development:									
<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	2,953,976	01/01/23	12/31/23	17,874,242	1,856,180	19,730,422
Project No: 1605002-25B - Prim. Forgiveness	14,269	042-4840-707-044	\$ 7,920,148	1,071,215	01/01/23	12/31/23	6,481,822	673,116	7,154,938
U.S. Environmental Protection Agency:									
<i>Pass Through New Jersey Department of Environmental Protection</i>									
Capitalization Grants for Drinking Water State Revolving Fund:									
Project No: 1605002-002 (LSLF)	66,468	N/A	28,755,543	9,136,479	01/01/23	12/31/23	953,145	10,299,228	11,252,373
Total Federal Financial Assistance				<u>13,161,670</u>			<u>25,309,209</u>	<u>12,828,524</u>	<u>38,137,733</u>

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

SCHEDULE 8

**PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**

DECEMBER 31, 2023

<u>State Funding Department</u>	<u>State Account Number</u>	<u>Grant Award</u>	<u>Grant Receipts</u>	<u>Grant Period</u>		<u>Grant Expenditures</u>	<u>Cumulative Grant Expenditures</u>
				<u>From</u>	<u>To</u>		
<u>New Jersey Department of Environmental Protection:</u>							
Project W1605002-002 (LSLR)	N/A	\$ 8,478,101	2,557,105	01/01/23	12/31/23	3,045,220	3,327,016
Total State Financial Assistance			<u>2,557,105</u>			<u>3,045,220</u>	<u>3,327,016</u>

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

PASSAIC VALLEY WATER COMMISSION
NOTES TO THE SCHEDULES OF EXPENDITURES
OF FEDERAL AWARDS
DECEMBER 31, 2023

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:

	NJ Environmental Infrastructure Trust		
	New Jersey Environmental Trust	New Jersey Environmental Fund	Total
Balance - 12/31/22	\$8,214,921	\$33,188,425	\$41,403,346
Less: Grants Received	<u>2,557,105</u>	<u>11,177,737</u>	<u>13,734,842</u>
Balance - 12/31/23	<u>\$5,657,816</u>	<u>\$22,010,688</u>	<u>\$27,668,504</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, 2023

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:

Table with 2 columns: CFDA Number(s) and Name of Federal Program or Cluster. Row 1: 66.468, Capitalization Grants for Drinking Water State Revolving Fund

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

Auditee qualified as low-risk auditee? yes X no

PASSAIC VALLEY WATER COMMISSION

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023

Section I - Summary of Auditor's Results, (continued)

State Awards Section

Dollar threshold used to determine type A programs: \$ 750,000

Auditee qualified as low-risk auditee? X yes none reported

Type of auditors' report on compliance for major programs: unmodified

Internal Control over compliance:

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

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

Any audit findings disclosed that are required to be reported in accordance with N.J. OMB Circular 15-08, as amended? yes X no

Identification of major programs:

GMIS Number(s)

Name of Federal Program or Cluster

N/A

N.J. Environmental Infrastructure Trust

PASSAIC VALLEY WATER COMMISSION

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED DECEMBER 31, 2023**

Section II - Financial Statement Findings

FINDING 2023-01

STATEMENT OF CONDITION

Evidence of failure to perform tasks that are part of internal control, such as reconciling the Inventory subledger to the General Ledger.

CRITERIA

Inventory system reports should be reconciled in a timely manner to the General Ledger.

EFFECT

The Commission transitioned to a new inventory system which caused a delay in properly reconciling to the General Ledger.

CAUSE

There appears to be a failure of certain controls over inventory.

RECOMMENDATION

The Organization should ensure that inventory subledger should be reconciled to the General Ledger.

MANAGEMENT'S RESPONSE

Management acknowledges the problem and will address it in the following year.

PASSAIC VALLEY WATER COMMISSION
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023
(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, 2023

Status of Prior Year Findings

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

General Comments

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

WIELKOTZ & COMPANY, LLC
Certified Public Accountants