

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**REPORT OF AUDIT OF**  
**BASIC FINANCIAL STATEMENTS**  
**AND SUPPLEMENTAL INFORMATION**  
**YEARS ENDED JUNE 30, 2023 AND 2022**



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# MONROE MUNICIPAL UTILITIES AUTHORITY

## Roster of Officials

June 30, 2023

### Members

	Position
Anthony Neri	Chairman
Robert Simone	Vice-Chairman
Fred Schauer	Secretary
Andy Schwaiger	Treasurer
Ralph J. Manfredi, Jr.	Assistant Treasurer
Robert Ferguson	Board Member

### Other Officials

Wendy D. Mahoney	Executive Director, Assistant Secretary
Frank Cossabone	Superintendent
Denise Nevico	Comptroller
Charlene Denny	Deputy Executive Director
Charles Fiore	Solicitor
James Spratt	Engineer

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# FORD - SCOTT

& ASSOCIATES, L.L.C.

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## **INDEPENDENT AUDITOR'S REPORT**

The Honorable Chairman and Members  
of the Monroe Municipal Utilities Authority  
(A component unit of the Township of Monroe)  
County of Gloucester, New Jersey

### **Report on the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the business-type activities of the Monroe Municipal Utilities Authority (a component unit of the Township of Monroe) in the County of Gloucester, State of New Jersey, as of and for the periods ended June 30, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

#### ***Unmodified Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Monroe Municipal Utilities Authority (a component unit of the Township of Monroe), as of June 30, 2023 and 2022, and the respective changes in financial position for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Prior Period Financial Statements***

The financial statements of the Monroe Municipal Utilities Authority as of June 30, 2022, were audited by other auditors whose report dated August 16, 2023, expressed an Unmodified Opinion under accounting principles generally accepted in the United States of America

#### ***Basis for Opinions***

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

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the generally accepted accounting principles. Management is also responsible 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 Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibility 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, and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from an 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 the internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether in our judgement there are conditions or events considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the *management's discussion and analysis and budgetary comparison information* identified in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic

financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

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

*Michael S Garcia*  
Michael S. Garcia  
Certified Public Accountant  
Registered Municipal Accountant  
No. 472

November 13, 2023

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# MONROE MUNICIPAL UTILITIES AUTHORITY

## Management's Discussion and Analysis

### June 30, 2023 and 2022

#### FINANCIAL HIGHLIGHTS

Management believes the financial position of the Monroe Municipal Utilities Authority (the "Authority") to be strong with the current year change in net position of \$3,988,929.12. According to its bond covenants, the Authority is required to have 110% coverage on debt service; the Authority did meet the required coverage for the fiscal year ending June 30, 2023 and fiscal year ending June 30, 2022.

Key financial highlights for the Authority's fiscal year 2023 were:

- The Authority generated investment income of \$261,230.96 during the current fiscal year as compared to \$4,539.47 in fiscal year 2022.
- Operating revenues for fiscal year 2023 were \$15,873,819.69 compared to \$14,660,925.88 for fiscal year 2022.
- Operating expenses for fiscal year 2023 were 11,091,746.55 compared to \$10,514,998.23 for fiscal year 2022.
- Operating income for fiscal year 2023 was \$4,782,073.14 compared to \$4,145,927.65 for fiscal year 2022.
- Change in Net Position for fiscal year 2023 was \$3,988,929.12 compared to \$3,716,366.26 for fiscal year 2022.
- At year-end the Total Net Position was \$29,567,529.58 compared to \$25,578,600.46 for fiscal year 2022.

#### OVERVIEW OF THE FINANCIAL STATEMENTS

The financial section of the annual report consists of five parts – Independent Auditor's Report, the management's discussion and analysis (this section), the basic financial statements, required supplementary information and supplemental schedules.

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

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

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

The *notes to the financial statements* provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any. *Supplementary information* comparing the budget to actual expenses, as well as important debt coverage data, is provided.

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2023 and 2022**

**Financial Analysis**

The following comparative condensed financial statements and other selected information serve as the key financial data and indicators for management, monitoring and planning.

The Authority's net position was \$29,567,529.58 as of June 30, 2023 as shown below.

	2023	2022	2021	Change from 2023 to 2022	
				Amount	Percentage
Current Assets	\$ 8,794,796	9,052,287	8,063,106	(257,492)	-2.84%
Restricted Assets	11,394,202	7,904,655	6,236,888	3,489,546	44.15%
Capital Assets, net	31,477,140	32,672,500	33,891,291	(1,195,361)	-3.66%
Deferred Outflow of Resources	4,827,585	5,649,731	3,901,062	(822,146)	-14.55%
Total Assets and Deferred Outflow of Resources	<u>56,493,722</u>	<u>55,279,174</u>	<u>52,092,347</u>	<u>1,214,548</u>	<u>2.20%</u>
Current Unrestricted Liabilities	1,286,416	1,586,571	1,157,054	(300,156)	-18.92%
Current Restricted Liabilities	1,436,838	1,407,900	2,042,601	28,938	2.06%
Long Term Obligations Outstanding	17,231,915	19,955,359	20,386,158	(2,723,445)	-13.65%
Deferred Inflow of Resources	6,971,025	6,750,743	6,644,300	220,282	3.26%
Total Liabilities and Deferred Inflow of Resources	<u>26,926,193</u>	<u>29,700,574</u>	<u>30,230,113</u>	<u>(2,774,381)</u>	<u>-9.34%</u>
Net Position:					
Investment in Capital Assets	26,593,316	26,446,471	25,725,405	146,845	0.56%
Restricted	4,937,175	4,840,294	5,449,967	96,881	2.00%
Unreserved, Unrestricted	(1,962,962)	(5,708,165)	(9,313,138)	3,745,203	-65.61%
Total Net Position	<u>29,567,530</u>	<u>25,578,600</u>	<u>21,862,234</u>	<u>3,988,929</u>	<u>15.59%</u>
Total Liabilities, Deferred Inflow of Resources and Net Position	<u>\$ 56,493,722</u>	<u>55,279,174</u>	<u>52,092,347</u>	<u>1,214,548</u>	<u>2.20%</u>

For the current fiscal year, the Authority realized operating income of \$4,782,073.14 and net non-operating revenues (expenses) totaling \$793,144.02, resulting in a change in net position for the current fiscal year of \$3,988,929.12. Major components of this activity are detailed in the statement below:

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**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2023 and 2022**

Statement of Revenue, Expenses and Changes in Net Position

	2023	2022	2021	Change from 2023 to 2022	
				Amount	Percentage
Operating Revenues:					
User Charges and Fees	13,994,338	13,192,601	12,671,061	801,737	6.08%
Connection Fees	1,462,419	1,031,353	939,013	431,066	41.80%
Other Operating Revenues	417,063	436,972	152,257	(19,909)	-4.56%
	<u>15,873,820</u>	<u>14,660,926</u>	<u>13,762,332</u>	<u>1,212,894</u>	<u>8.27%</u>
Operating Expenses:					
Administration					
Salaries and Wages	814,296	710,858	630,562	103,438	14.55%
Fringe Benefits	390,192	215,825	229,127	174,367	80.79%
Other Expenses	631,301	650,897	754,047	(19,596)	-3.01%
Total Administration	<u>1,835,789</u>	<u>1,577,579</u>	<u>1,613,736</u>	<u>258,210</u>	<u>16.37%</u>
Cost of Providing Services					
Salaries and Wages	1,593,774	1,647,585	1,824,700	(53,811)	-3.27%
Fringe Benefits	765,635	436,928	755,702	328,707	75.23%
Other Expenses	5,254,531	5,224,975	5,321,033	29,556	0.57%
Total Cost of Providing Services	<u>7,613,940</u>	<u>7,309,488</u>	<u>7,901,434</u>	<u>304,452</u>	<u>4.17%</u>
Depreciation	1,642,018	1,627,931	1,535,713	14,087	0.87%
Total Operating Expenses	<u>11,091,747</u>	<u>10,514,998</u>	<u>11,050,884</u>	<u>576,748</u>	<u>5.49%</u>
Operating Income	4,782,073	4,145,928	2,711,448	636,146	15.34%
Non-Operating Revenue (Expense)	(793,144)	(429,561)	(359,984)	(363,583)	84.64%
Change in Net Position	\$ 3,988,929	\$ 3,716,366	\$ 2,351,463	\$ 272,563	7.33%
Net Position July 1	25,578,600	21,862,234	19,510,771	(292,159)	-1.34%
Net Position June 30	<u>29,567,530</u>	<u>25,578,600</u>	<u>21,862,234</u>	<u>940,331</u>	<u>3.68%</u>

**OVERALL ANALYSIS**

The Authority's financial position remains strong. The Authority was able to realize the budgeted sewer revenues and its budgeted water revenues for the fiscal year ending June 30, 2023. The Authority was also able to meet its debt service coverage requirements in the current period.

The Authority has not experienced any decrease in the number or overall mix of its residential, commercial, public and- industrial customer billing base.

Connection fee revenue in the current fiscal year was \$1,462,418.54. Developers pay connection fees upon submittal of plans to connect residential developments, commercial properties, etc. into the Authority's water and/or sewer systems. The Authority recognizes these payments as revenue on the date payment is received.

Overall, the Authority believes its financial position has improved in the current fiscal year with the positive change in net position. Net Position has increased by \$3,988,929.12 to \$29,567,529.58. Monroe Township continues to be a desirable location for residential and commercial development. The composition of the ratepayer base is well diversified. The residential and public sectors, the most stable when considering the volatility of a billing base, comprise approximately 95% of the Authority's customers. There is no particular emphasis or imbalance in the type of business enterprises within the commercial sector. Industrial users exist, but do not comprise a major portion of the Authority's billing base.

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**Management’s Discussion and Analysis**  
**June 30, 2023 and 2022**

**BUDGET VARIANCES**

The Authority's fiscal 2023 projected revenues for the sewer utility were collected and were sufficient to satisfy all fiscal 2023 operating and non-operating expenditures.

The Authority's fiscal 2023 projected revenues for the water utility were collected and were sufficient to satisfy all fiscal 2022 operating and non-operating expenditures.

Actual sewer revenues in the amount of \$8,154,508 exceeded the adopted budget of \$6,846,895.00 by \$1,307,613.00, primarily due to additional sewer service charges and connection fees received.

Actual sewer budgetary expenditures of \$6,010,921.66 were less than the adopted budget of \$6,850,025.55 by \$839,103.89. Individual appropriation budget variances are detailed in Schedule 2.

Actual water revenues of \$7,719,311.69 exceeded the budgeted water revenues of \$5,814,755.00 by \$1,904,556.69, primarily due to water service charges and connection fees received.

Actual water budgetary expenditures of \$5,196,575.29 were less than the adopted budget of \$5,825,818.54 by \$629,243.25. Individual appropriation budget variances are detailed in Schedule 3.

**Capital assets and debt administration**

The Authority continues to maintain a proactive maintenance philosophy for its capital facilities. The Authority completed several smaller projects during fiscal year 2023. The capital program for the water and sewer funds can be found with the adopted budget for the fiscal year along with the analysis of the infrastructure and equipment considered for proper operation of the water and wastewater systems.

Capital assets, net of depreciation, decreased approximately \$1,195,361 during 2023. Property and equipment placed in service, excluding depreciation, increased \$446,657.

The following shows the breakdown of the debt as of year-end.

	2023	2022
2010 Bonds	1,650,000.00	2,155,000.00
2019 Bonds	3,005,000.00	3,785,000.00
	<u>4,655,000.00</u>	<u>5,940,000.00</u>

**Economic factor and next year’s budget and rates**

The growth within the service area over the next few years is expected to be minimal. The Authority projects rate increases over the next few years to ensure that there are adequate resources to address water and sewer infrastructure maintenance and repair needs.

All of these factors were considered in preparing the Authority’s budget for the fiscal year.

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**Management's Discussion and Analysis**  
**June 30, 2023 and 2022**

**Requests for Information**

This financial report is designed to provide Monroe's citizens and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have questions about this report or need additional financial information, contact the Executive Director, Monroe Municipal Utilities Authority, 372 South Main Street, Williamstown, NJ 08094.

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## **FINANCIAL STATEMENTS**

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**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the Township of Monroe)**  
**COMPARATIVE STATEMENT OF NET POSITION**  
**As of June 30, 2023 and 2022**

**ASSETS**

	<b>JUNE 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Current assets:</b>		
<b>Unrestricted assets</b>		
Cash and cash equivalents	\$ 7,724,767.70	8,007,689.34
Consumer accounts receivable	719,200.73	816,660.52
Other receivables	46,300.00	14,750.00
Inventory	158,785.30	89,975.65
Prepaid expenses	145,742.05	123,211.78
<b>Total unrestricted assets</b>	<b>8,794,795.78</b>	<b>9,052,287.29</b>
<b>Restricted assets:</b>		
Cash and cash equivalents	11,394,201.75	7,904,655.46
<b>Total restricted assets</b>	<b>11,394,201.75</b>	<b>7,904,655.46</b>
<b>Total current assets</b>	<b>20,188,997.53</b>	<b>16,956,942.75</b>
<b>Capital assets:</b>		
Construction in progress	75,655.01	50,695.75
Non- depreciable capital assets	545,574.00	545,574.00
Depreciable capital assets, net of depreciation	30,855,910.50	32,076,230.69
<b>Total noncurrent assets</b>	<b>31,477,139.51</b>	<b>32,672,500.44</b>
<b>Total assets</b>	<b>51,666,137.04</b>	<b>49,629,443.19</b>
<b>Deferred Outflow of Resources:</b>		
Deferred outflows related to pensions	1,110,078.00	1,162,175.00
Deferred outflows related to other post employment	3,710,920.00	4,479,321.88
Deferred loss on defeasance of debt	6,587.25	8,234.07
<b>Total deferred outflows of resources</b>	<b>4,827,585.25</b>	<b>5,649,730.95</b>
<b>Total assets and deferred outflow of resources</b>	<b>\$ 56,493,722.29</b>	<b>55,279,174.14</b>

The accompanying Notes to Financial Statements are an integral part of this statement

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the Township of Monroe)**  
**COMPARATIVE STATEMENT OF NET POSITION**

**LIABILITIES AND FUND EQUITY**

	<b>JUNE 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Current liabilities payable from unrestricted assets:</b>		
Accounts payable	\$ 310,038.57	475,238.92
Accounts payable - related to pensions	370,123.00	361,883.00
Water and sewer rent overpayments	152,221.52	
Payroll deductions payable	5,588.71	6,486.44
Developer escrow deposits	448,443.72	742,963.12
Total current liabilities payable from unrestricted assets	1,286,415.52	1,586,571.48
<b>Current liabilities payable from restricted assets:</b>		
Accounts payable	5,268.76	
Revenue bonds payable - current portion	1,335,000.00	1,285,000.00
Accrued interest on bonds	96,568.75	122,900.00
Total current liabilities payable from restricted assets:	1,436,837.51	1,407,900.00
<b>Long term liabilities payable from unrestricted assets:</b>		
Net Pension Obligation	4,330,773.00	3,965,037.00
Other Post Employment Benefit Obligation	9,287,053.00	10,994,107.00
Compensated absences	58,678.04	46,951.91
Total long-term liabilities - unrestricted	13,676,504.04	15,006,095.91
<b>Long term liabilities payable from restricted assets:</b>		
Revenue Bonds Payable	3,555,410.64	4,949,263.29
Total long-term liabilities	3,555,410.64	4,949,263.29
<b>Total liabilities</b>	19,955,167.71	22,949,830.68
<b>Deferred Inflow of Resources:</b>		
Deferred inflows related to other post employment	5,364,209.00	3,889,498.00
Deferred inflows related to pensions	1,606,816.00	2,861,245.00
Total deferred outflows of resources	6,971,025.00	6,750,743.00
<b>Net position:</b>		
Net investment in capital assets	26,593,316.12	26,446,471.22
Restricted for:		
Debt service reserve	1,113,750.00	1,114,168.75
Renewal and replacement	2,000,000.00	2,000,000.00
Budget requirement	1,823,425.00	1,726,125.00
Unrestricted	(1,962,961.54)	(5,708,164.51)
<b>Total net position</b>	29,567,529.58	25,578,600.46
<b>Total liabilities and net position</b>	\$ 56,493,722.29	55,279,174.14

The accompanying Notes to Financial Statements are an integral part of this statement

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the Township of Monroe)**  
**STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION**  
**FOR THE FISCAL YEAR ENDED JUNE 30, 2023 AND 2022**

	JUNE 30,	
	2023	2022
<b>Operating revenues:</b>		
User charges and fees	\$ 13,994,337.67	13,231,660.54
Connection fees	1,462,418.54	1,031,352.71
Other operating revenues	417,063.48	397,912.63
Total operating revenues	15,873,819.69	14,660,925.88
<b>Operating expenses :</b>		
Administration		
Salaries and wages	814,296.18	710,857.83
Fringe benefits	390,191.83	215,824.54
Other expenses	631,300.63	650,896.74
Cost of Providing Services		
Salaries and wages	1,593,773.74	1,647,584.95
Fringe benefits	765,635.19	436,927.93
Other expenses	5,254,531.04	5,224,975.27
Depreciation	1,642,017.94	1,627,930.97
Total operating expenses	11,091,746.55	10,514,998.23
Operating income	4,782,073.14	4,145,927.65
<b>Non-operating revenue (expense):</b>		
Investment income	261,230.96	4,539.47
Interest expense	(135,931.67)	(188,594.17)
Major repairs and other expenses	(1,326,102.79)	(245,506.69)
Contributed capital	446,657.01	
Cancel prior year receivable	(39,549.53)	
Prior year payable adjustment	552.00	
Total non-operating expense	(793,144.02)	(429,561.39)
<b>Increase (decrease) in net position</b>	3,988,929.12	3,716,366.26
<b>Net position at beginning of year</b>	25,578,600.46	21,862,234.20
<b>Net position at end of year</b>	\$ 29,567,529.58	25,578,600.46

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the Township of Monroe)**  
**COMPARATIVE STATEMENT OF CASH FLOWS**  
**FOR THE YEARS ENDED**

	<b>JUNE 30,</b>	
	<b>2023</b>	<b>2022</b>
<b>Cash flows from operating activities:</b>		
Cash received from customers and users	\$ 14,172,919.45	14,500,730.08
Other operating receipts	1,879,482.02	1,026,625.46
Cash paid to suppliers	(6,723,367.70)	(7,203,593.72)
Cash paid for employees & benefits	(3,553,068.54)	(3,112,865.91)
Net cash provided by operating activities	5,775,965.23	5,210,895.91
<b>Cash flows from investing activities:</b>		
Investment Income	261,230.96	4,539.47
Net cash provided by investing activities	261,230.96	4,539.47
<b>Cash flows from capital and related financing activities:</b>		
Principal paid on bonds	(1,285,000.00)	(1,815,000.00)
Interest paid on debt	(219,468.75)	(282,100.00)
Renewal and Replacement	(879,445.78)	
Additions to capital assets	(446,657.01)	(723,047.83)
Net cash used by capital and related activities	(2,830,571.54)	(2,820,147.83)
<b>Increase (decreased) in cash and cash equivalents</b>	3,206,624.65	2,395,287.55
Cash and cash equivalents at beginning of year	15,912,344.80	13,517,057.25
<b>Cash and cash equivalents at end of year</b>	\$ 19,118,969.45	15,912,344.80
<b><u>Reconciliation to balance sheet:</u></b>		
Unrestricted Cash	7,724,767.70	8,007,689.34
Restricted Cash	11,394,201.75	7,904,655.46
	\$ 19,118,969.45	15,912,344.80
<b>Reconciliation of operating income to net cash provided by operating activities:</b>		
Operating Income(loss)	4,782,073.14	4,145,927.65
Adjustments:		
Depreciation	1,642,017.94	1,627,930.97
GASB 68 Pension Benefit	(828,356.00)	(872,825.00)
GASB 75 OPEB Benefit	536,058.88	136,903.31
Change in Assets and Liabilities:		
(Increase) decrease in consumer accounts receivable	57,910.26	(145,445.80)
(Increase) decrease in other accounts receivable	(31,550.00)	(14,750.00)
(Increase) decrease in inventory	(68,809.65)	(74,896.83)
(Increase) decrease in prepaid expenses	(22,530.27)	(26,568.78)
Increase(decrease) in accounts payable operations	(164,648.35)	(148,121.12)
Increase(decrease) in rent overpayments	152,221.52	
Increase(decrease) in payroll deductions payable	(897.73)	6,486.44
Increase(decrease) in developer's escrow deposits	(294,519.40)	601,242.95
Increase(decrease) in accounts payable restricted	5,268.76	
Increase(decrease) in compensated absences	11,726.13	(24,987.88)
<b>Net cash provided by operating activities</b>	\$ 5,775,965.23	5,210,895.91

## **NOTES TO THE FINANCIAL STATEMENTS**

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MONROE MUNICIPAL UTILITIES AUTHORITY  
(A component unit of the Township of Monroe)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023 and 2022

**Note 1. Summary of Significant Accounting Policies**

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

**Reporting Entity**

The Authority is a public body corporate and politic of the State of New Jersey and was originally created as a sewerage authority by an ordinance adopted on September 26, 1957 by the governing body of the Township of Monroe (the "Township"). By Ordinance of the governing body of the Township adopted May 8, 1959, the Authority was reorganized as a municipal utility's authority pursuant to the Municipal and County Utilities Authorities Law.

The Authority currently provides water supply and sewerage collection service to all residences and businesses within the Township. The Authority commenced operations in 1960 and since then has undertaken various construction projects to upgrade and expand the system.

The Authority Board consists of five members and one alternate, who are appointed by resolution of the Township Council for five-year terms. The daily operations of the Authority are managed by the Executive Director.

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

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

**Basis of Financial Statements**

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

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

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The transactions of the Authority are divided into two separate activities (water and sewer) within the enterprise fund type. Each activity is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflow of resources, net position, revenues and expenditures.

### **Basis of Accounting**

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

**Revenues -- Exchange and Non-Exchange Transactions** - Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value is recorded on the accrual basis when the exchange takes place. Water and sewer service charges are recognized as revenue when services are provided. Connection fees are recognized when they are received by the Authority.

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

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

### **Budgets and Budgetary Accounting**

An annual operating budget is required to be adopted and integrated into the accounting system to provide budgetary control over revenues and expenditures in accordance with NJSA 40A:5A. The operating budget adopted annually covers the general fund activity only. The current operating budget details the Authority's plans to earn and expend funds for charges incurred for the operation, maintenance, certain interest and general functions, and other charges for the fiscal year.

### **Cash and Cash Equivalents**

Cash and cash equivalents include petty cash, change funds, bank deposits, government money market mutual funds and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at costs plus accrued interest. The Authority places its temporary cash investments with high-credit quality financial institutions.

Local units are required by N.J.S.A. 40A:5-14 to annually adopt a cash management plan and must deposit funds pursuant to that plan. The cash management plan includes a designation of a depository or depositories as defined in section 1 of P.L. 1970 c.236 (C. 17:9-41). In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with failed banking institutions in New Jersey. Public depositories include state or federally chartered banks, savings banks or associations located in or having a branch office in

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the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to four percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

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

### **Inventory**

Inventory consists principally of chemicals for the treatment of water, sewerage and sludge and is valued at costs. The Authority has determined that the inventories are material and are recorded in the financial statements.

### **Prepaid Expenses**

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the applicable fiscal year end.

### **Capital Assets**

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets are stated at historical cost or estimated historical cost. Donated capital assets are recorded at their fair market value as of the date received.

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

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$5,000 or more
- 2) Useful life or more than one year
- 3) Asset is not affected by consumption

### **Depreciation**

Depreciation on capital assets is computed using the straight-line method over the shorter of the lease term or the following useful lives:

	Years
Major Moveable Equipment	5-20
Vehicles	8
Buildings and Infrastructure	40

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**Bond Premiums**

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. Bond premiums are presented as an adjustment of the face amount on the bonds.

**Deferred Outflows and Deferred Inflows of Resources**

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

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

**Compensated Absences**

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave, and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

**Unearned Revenue**

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied. Unearned revenue is recorded as a liability until the revenue is measurable and the Authority is eligible to realize the assets as revenue.

**Pension**

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

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**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan**

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

**Net Position**

Net position comprises the earnings from operating income, non-operating revenues, expenses, and capital contributions. Net position is classified in the following three components:

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

*Restricted* – This component of net position consists of external constraints imposed by creditors (such as debt covenants), grantors, contributors, laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation, that restricts the use of net position.

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

**Income Taxes**

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

**Operating Revenues and Expenses**

Operating revenues and expenses consist of those revenues that result from the ongoing principle operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities or result from non-exchange transactions or ancillary activities. When an expense is incurred for purpose for which there are both restricted and unrestricted net position available, it is the Authority's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net position.

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**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

**Recent Accounting Pronouncements Not Yet Effective**

In May 2019, the Governmental Accounting Standards Board (GASB) issued Statement No. 91, "Conduit Debt Obligations". This statement is effective for fiscal periods beginning after December 31, 2022, will not have any effect on the Authority's financial reporting.

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 93, "Replacement of Interbank Offered Rates". This statement, which is effective for fiscal periods beginning after December 31, 2022, and all reporting periods, thereafter, will not have any effect on the Authority's financial reporting.

In March 2020, the Governmental Accounting Standards Board (GASB) issued Statement No. 94, "Public-Private and Public-Public Partnerships and Availability Payment Arrangements". This statement, which is effective for fiscal years beginning after December 31, 2023, and all reporting periods, thereafter, will not have any effect on the Authority's financial reporting.

In October 2021, the Governmental Accounting Standards Board (GASB) issued Statement No 98, "The Annual Comprehensive Financial Report". This statement, which is effective for fiscal years ending after December 15, 2021, will have an effect on the Authority's financial statements.

In April 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 99, "Omnibus 2022". This statement is effective for fiscal years beginning after June 15, 2022, and will not have any effect on the Authority's financial reporting.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 100, "Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62". This statement is effective for fiscal years beginning after June 15, 2023, and will not have any effect on the Authority's financial reporting.

In June 2022, the Governmental Accounting Standards Board (GASB) issued Statement No. 101, "Compensated Absences". This statement is effective for fiscal years beginning after December 15, 2023, and will not have any effect on the Authority's financial reporting.

**Note 2. Significant Trust Agreement and Bond Resolution Requirements**

**Compliance with Finance Related Legal and Contractual Provisions**

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

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**General Bond Resolution**

The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted June 24, 1987, as amended. As required by the Bond Resolution, certain cash accounts and investments of the Authority are maintained by an independent trustee, accounted for in various accounts and segregated for specific use and for the security of the bondholders. A summary of the activities of each account created by the Bond Resolution is covered below.

The following funds and accounts are in the name of the Trustee:

*Revenue Account* – All monies collected by the Authority for service charges or from any other sources for operating, maintaining or repairing the system are deposited in this account. The Trustee shall make quarterly payments into the other accounts to satisfy bond resolution or operating requirements.

*Operating Account* - The balance on deposit must be equal to at least two months of the annual appropriation for operating expenses. At June 30, 2023 and 2022, the balance in the operating account meets the requirements of the Bond Resolution.

*Debt Service Fund* – The balance on deposit must be sufficient to enable the Trustee to pay the principal of bonds as they mature upon surrender thereof and the interest on bonds as it becomes payable. The balance on June 30, 2023 and 2022 meets the requirements of the bond resolution.

*Renewal and Replacement Account* - These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements, or maintenance items of a type not recurring annually. At June 30, 2023 and 2022, the renewal and replacement account balance of \$2,000,000.00 meets the requirements of the Bond Resolution.

*Construction Fund* – The balance on deposit shall be used to pay the costs of specific project and is pledged, pending application to such costs, for the security of the payment of principal and interest on the Water and Sewer Revenue Bonds.

*General Fund* – All excess funds of the Authority are recorded in the General Fund. If the Authority is not in default in the payment of bond principal or interest, and all fund requirements are satisfied, the excess funds may be used by the Authority for any lawful purpose. The allocated/designated funds of the Authority are included in the General Fund.

*Rebate Fund* – The balance on deposit shall be used for the paying to the United States Treasury the amount required to be rebated pursuant to section 148(f) of the Code. All amounts on deposit shall be held free and clear of the lien of this bond resolution.

*Debt Service Coverage* - Section 20(B) of the 1991 Supplemental Resolution relating to the Bond Resolution requires certain ratios of Net Revenues to Debt Service. Compliance with this covenant is calculated as follows:

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	<u>2023</u>	<u>2022</u>
Operating Revenue:		
Utility Service Charges	\$ 13,994,337.67	13,231,660.54
Connection Fees	1,462,418.54	1,031,352.71
Other Operating income	417,063.48	397,912.63
Interest Income	261,230.96	4,539.47
Net Revenue	<u>16,135,050.65</u>	<u>14,665,465.35</u>
Operating Expenses:		
Operating Expenses and Capital Outlay	<u>11,179,100.93</u>	<u>9,321,168.12</u>
	4,955,949.72	5,344,297.23
110% on Next Succeeding Year's Annual Debt Service Requirement	<u>1,650,859.38</u>	<u>1,654,915.63</u>
Excess in Revenue	<u>\$ 3,305,090.35</u>	<u>\$ 3,689,381.61</u>

**Note 3. Cash**

**Custodial Risk - Deposits**

Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. The Authority's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in NJSA 17:9-41 et seq. that are treated as cash equivalents. However, GUDPA does not protect intermingled trust funds, salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized. As of June 30, 2023 \$456,576.22 of the authority's bank balance of \$15,919,369.97 was exposed to custodial credit risk.

**Note 4. Investments**

At June 30, 2023, the Authority had no investments.

**Interest Rate Risk**

The Authority does not have a formal investment policy that limits investments maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. However, New Jersey Statutes 40A:5-15.1(a) limits the length of time for most investments to 397 days.

**Credit Risk**

New Jersey Statutes 40A:15.1(a) limits the Authority investments to those specified in the Statutes. The type of allowable investments are Bonds of the United States of America or of the authority or the local units in which the authority is located; obligations of federal agencies not exceeding 397 days; government money market mutual funds; the state of New Jersey Cash Management Plan; local government investment pools; or repurchase of fully collateralized securities.

**Concentration of Credit Risk**

The Authority places no limit on the amount the authority may invest in any one issuer.

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**Note 5. Capital Assets**

Capital asset activity for the fiscal year ended June 30, was as follows:

	as of 6/30/2022	Adjustments/ Additions	Adjustments/ Deletions	as of 6/30/2023
Capital Assets not being Depreciated				
Land	\$ 545,574.00			545,574.00
Construction in Progress	50,695.75	24,959.26		75,655.01
	<u>596,269.75</u>	<u>24,959.26</u>	<u>-</u>	<u>621,229.01</u>
Capital Assets being Depreciated				
Infrastructure	25,259,340.52			25,259,340.52
Buildings	35,368,384.00			35,368,384.00
Vehicles	197,048.00			197,048.00
Machinery & Equipment	4,788,218.14	388,997.75	36,435.00	5,140,780.89
Other Improvements		32,700.00		32,700.00
	<u>65,612,990.66</u>	<u>421,697.75</u>	<u>36,435.00</u>	<u>65,998,253.41</u>
Total Capital Assets	<u>66,209,260.41</u>	<u>446,657.01</u>	<u>36,435.00</u>	<u>66,619,482.42</u>
Less: Accumulated Depreciation	<u>(33,536,759.97)</u>	(1,642,017.94)	(36,435.00)	(35,142,342.91)
Capital Assets, net	<u>\$ 32,672,500.44</u>	<u>\$ (1,195,360.93)</u>	<u>\$ -</u>	<u>\$ 31,477,139.51</u>

Depreciation expense of \$1,642,017.94 and \$1,627,930.97 was charged to operations for the years ended June 30, 2023 and 2022, respectively.

**Note 6. Long-Term Debt**

The following summarizes activity in long-term obligations for the year ended June 30, 2023:

	Balance 7/1/2022	Issued	Principal Payments	Balance 6/30/2023	Due Within One Year
Bonds Payable	\$ 5,940,000.00		1,285,000.00	4,655,000.00	1,335,000.00
Bond Premiums	294,263.29		58,852.65	235,410.64	
Compensated Absences	46,951.91	11,726.13		58,678.04	
Net Pension Liability	3,965,037.00	365,736.00		4,330,773.00	
Net OPEB Obligation:					
State	8,185,761.00		1,650,181.00	6,535,580.00	
Private	2,808,346.00		56,873.00	2,751,473.00	
Totals	<u>\$ 21,240,359.20</u>	<u>\$ 377,462.13</u>	<u>\$ 3,050,906.65</u>	<u>\$ 18,566,914.68</u>	<u>\$ 1,335,000.00</u>

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**Deferred Loss of Defeasance of Debt**

In August of 2010, the Authority refunded \$5,055,000.00 of the 2001 Revenue Bonds. The Authority issued \$5,205,000.00 in Revenue Refunding Bonds and received \$123,388.65 in NOI premium, of which \$5,275,780.31 was used to provide resources to purchase government obligations that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$293,810.02 (restated). This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations over the life of the refunding bonds using the straight-line method. The advance refunding was undertaken to reduce total debt payments over the next 10 years by \$213,535.83 and to obtain a present value economic gain of \$182,061.14.

In July of 2019, the Authority refunded \$6,130,000.00 of the 2004 and 2007 Revenue Bonds. The Authority issued \$5,255,000.00 in Revenue Refunding Bonds, received \$470,821.25 in NOI premium and contributed \$1,090,862.50 of Authority funds, of which \$6,160,016.55 was used to provide resources to purchase government obligations that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements.

The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$13,174.53. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations over the life of the refunding bonds using the straight-line method. The advance refunding was undertaken to reduce total debt payments over the next 9 years by \$1,126,801.26 and to obtain a present value economic gain of \$1,061,726.23.

**Revenue Bonds Payable**

The Revenue Bonds Series 2010A, 2010B and 2019 are direct obligations of the Authority. The Bonds are secured by a pledge on the Revenues derived by the Authority from the operation of its water supply and distribution facilities and its sewerage treatment facilities. The Bonds are further secured by the limited-service agreement between the Authority and the Township.

The 2010A Series Bonds were issued to fund various capital improvements to the Authority's system, fund a deposit to the Bond Reserve Account and pay certain costs related to the issuance of the 2010A Bonds. The Bonds were issued originally for \$6,550,000.00 and carried interest rates ranging from 3.0% to 4.5%. The final maturity of the 2010A Bonds is July 1, 2025. The balance at June 30, 2023 was \$1,650,000.00.

The 2019 Series Bonds were issued to provide funds to advance refund the Authority's 2004 and 2007 Series Bonds, fund a deposit to the Bond Reserve Account and pay certain costs related to the issuance of the 2019 Bonds. The Bonds were issued originally for \$5,255,000.00 and carried interest rates ranging from 3.0% to 4.0%. The final maturity on the 2019 Bonds is July 1, 2027. The balance at June 30, 2023 was \$3,005,000.00.

Revenue Bonds outstanding at June 30, 2023 are as follows:

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Fiscal Year Ending June 30,	Total	Principal	Interest
2024	\$ 1,500,781.25	1,335,000.00	165,781.25
2025	1,499,250.00	1,390,000.00	109,250.00
2026	1,063,537.50	1,005,000.00	58,537.50
2027	482,900.00	455,000.00	27,900.00
2028	479,400.00	470,000.00	9,400.00
	\$ 5,025,868.75	4,655,000.00	370,868.75

**Note 7. Compensated Absences**

The Authority accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16, Accounting for Compensated Absences. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Authority employees may accumulate a maximum of 70 unused sick days. Employees are compensated for accumulated sick leave upon retirement or resignation at one-half of their then current hourly rate of pay times the number of days accumulated. The accrued liability for accumulated sick leave and vacation time at June 30, 2023 and June 30, 2022 is estimated at \$58,678.04 and \$46,951.91, respectively.

**Note 8. Pension Plan**

*Description of Plans* - Substantially all of the Authority's employees are covered by the Public Employees' Retirement System cost-sharing multiple-employer defined benefit pension plan which has been established by state statute and is administered by the New Jersey Division of Pension and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or the report can be accessed on the internet at <http://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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

*Funding Policy* - The contribution policy is set by N.J.S.A. 43:15A, Chapter 62, P.L. of 1994, Chapter 115, P.L. of 1997 and N.J.S.A. 18:66, and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. PERS provide for employee contributions of 7.50% of employees' annual compensation, as defined. Employers are required to contribute at an actuarially determined rate in PERS. The current

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PERS rate is 7.50% of covered payroll. The Authority's contributions to PERS for the years ending June 30, 2023 and 2022 were \$361,883, and \$391,974 respectively, equal to the required contributions for each year.

*Significant Legislation* - Chapter 78, P.L. 2011, effective June 28, 2011 made various changes to the manner in which the Public Employees' Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) operate and to the benefit provisions of those systems.

Chapter 78's provisions impacting employee pension and health benefits include:

- (a) New members of the PERS hired on or after June 28, 2011 (Tier 5 members) will need 30 years of creditable service and age 65 for receipt of the early retirement benefit without a reduction of  $\frac{1}{4}$  of 1% for each month that the member is under age 65.
- (b) The eligibility age to qualify for a service retirement in the PERS is increased from age 63 to 65 for Tier 5 members.
- (c) The annual benefit under special retirement for new PFRS members enrolled after June 28, 2011 (Tier 3 members), will be 60% instead of 65% of the member's final compensation plus 1% for each year of creditable service over 25 years but not to exceed 30 years.
- (d) Increases in active member contribution rates. PERS active member rates increase from 5.5% of annual compensation to 6.5% plus an additional 1% phased-in over 7 years; PFRS active member rate increase from 8.5% to 10%. For fiscal year 2013, the member contribution rates increased in October 2011. The phase-in of the additional incremental member contribution rates for PERS members will take place in July of each subsequent fiscal year.
- (e) The payment of automatic cost-of-living adjustment (COLA) additional increases to current and future retirees and beneficiaries is suspended until reactivated as permitted by this law.
- (f) New employee contribution requirements towards the cost of employer-provided health benefit coverage. Employees are required to contribute a certain percentage of the cost of coverage. The rate of contribution is determined based on the employee's annual salary and the selected level of coverage. The increased employee contributions will be phased in over a 4-year period for those employed prior to Chapter 78's effective date with a minimum contribution required to be at least 1.5% of salary.
- (g) In addition, this new legislation changes the method for amortizing the pension systems' unfunded accrued liability (from a level percent of pay method to a level dollar of pay).

Chapter 1, P.L. 2010, effective May 21, 2010, made a number of changes to the State-administered retirement systems concerning eligibility, the retirement allowance formula, the definition of compensation, the positions eligible for service credit, the non-forfeitable right to a pension, the prosecutor's part of the PERS, special retirement under the PFRS, and employer contributions to the retirement systems.

Also, Chapter 1, P.L. 2010 changed the membership eligibility criteria for new members of PERS from the amount of annual compensation to the number of hours worked weekly. Also, it returned the benefit multiplier for new members of PERS to  $\frac{1}{60}$ <sup>th</sup> from  $\frac{1}{55}$ <sup>th</sup>, and it provided that new members of PERS have the retirement allowance calculated using the average annual compensation for the last five years of service instead of the last three years of service. New members of PERS will no longer receive pension service credit from more than one employer. Pension service credit will be earned for the highest paid position only. For new members of the PFRS, the law capped the maximum compensation that can be used to calculate a pension from these plans at the annual wage contribution base for social security and requires the pension to be calculated using a three year average annual compensation instead of the last year's salary. This law also closed the Prosecutors Part of the PERS to new members and repealed the law for new members that provided a non-forfeitable right to receive a pension based on the laws of the retirement system in place at the time 5 years of pension service credit is attained. The law also requires

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the State to make its full pension contribution, defined a 1/7<sup>th</sup> of the required amount, beginning in fiscal years 2012.

Chapter 3, P.L. 2010, effective May 21, 2010, replaced the accidental and ordinary disability retirement for new members of the PERS with disability insurance coverage similar to that provided by the State to individuals enrolled in the State's Defined Contribution Retirement Program.

Chapter 92, P.L. 2007 implemented certain recommendations contained in the December 1, 2006 report of the Joint Legislative Committee on Public Employee Benefits Reform; established a DCRP for elected and certain appointed officials, effective July 1, 2007; the new pension loan interest rate became 4.69% per year, and an \$8.00 processing fee per loan was charged, effective January 1, 2008. The legislation also removed language from existing law that permits the State Treasurer to reduce employer pension contributions needed to fund the Funds and Systems when excess assets are available.

**Note 10. Pension Liabilities**

In 2012, the Governmental Accounting Standards Board issued GASB statement 68. This statement is effective for fiscal years beginning after June 15, 2014. This statement changes the method of reporting the municipality's pension liabilities. However, due to the fact that the municipality reports on the regulatory basis of accounting, no financial statement impact will be recognized.

The following represents the municipality's pension liabilities as June 30, 2022:

The authority has a liability of \$4,330,773 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the Authority's proportion was 0.02869700390%, which was an decrease of 14.26% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2023, the Authority recognized pension negative pension expense of - \$466,473. At June 30, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience	\$ 31,258	(27,565)
Changes of assumptions	13,418	(648,488)
Net difference between projected and actual earnings on pension plan investments	179,247	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	516,032	(930,763)
Total	<u>\$ 739,955</u>	<u>\$ (1,606,816)</u>

Contributions subsequent to the measurement date were \$370,123. (Contributions made after June 30 are reported as deferred outflow of resources but are not amortized in the expense.)

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

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	Year ended June 30,	
	<u>2023</u>	\$ (322,378)
	2024	(293,910)
	2025	(167,962)
	2026	(67,921)
	2027	(14,690)
	Total	<u>\$ (866,861)</u>

**Actuarial Assumptions**

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

Inflation rate	
Price	2.75%
Wage	3.25%
Salary increases:	
Through 2026	2.00% – 6.00% (based on years of service)
Thereafter	3.00% - 7.00% (based on years of service)
Investment rate of return:	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 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 disable retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on generational basis. Mortality improvement is based on Scale MP-2021.

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

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

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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, 2022 are summarized in the following table:

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

*Discount Rate*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers will be made based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make 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 Authority's proportionate share of the net pension liability to changes in the discount rate.*

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate of 7.00%, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage point lower (6.00%) or 1-percentage point higher (8.00%) than the current rate:

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	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's proportionate share of the net pension liability	\$ 5,934,233	\$ 4,330,773	\$ 4,176,105

*Pension plan fiduciary net position.*

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

**Note 11 – Other Post-Retirement Benefits**

*General Information about the OPEB Plan:*

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

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

- 1) retired on a disability pension;
- or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;
- or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer;
- or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

Pursuant to Chapter 78, P.L. 2011, future retirees eligible for postretirement medical coverage who have less than 20 years of creditable service on June 28, 2011 will be required to pay a percentage of the cost of their health care coverage in retirement provided they retire with 25 or more years of pension service credit. The percentage of the premium for which the retiree will be responsible will be determined based on the retiree's annual retirement benefit and level of coverage.

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*Allocation Methodology:*

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense, however under the Regulatory Basis of Accounting followed by the Borough these amounts are not accrued or recorded in the financial statements and the information listed in this note is for disclosure purposes only. Statewide across all member employers, the special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are based on separately calculated total OPEB liabilities. For the special funding situation, where applicable, and the nonspecial funding situation, the Collective Total OPEB liabilities for the year ended June 30, 2022 were \$3,361,552,823 and \$12,729,372,321, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2021 through June 30, 2022. Employer and non-employer allocation percentages have been rounded for presentation purposes.

*Net OPEB Liability:*

*Components of Net OPEB Liability*

The components of the collective net OPEB liability of the participating employers in the Plan as of June 30, 2022 is as follows:

	<u>June 30, 2022</u>	
	<u>Collective Total</u>	<u>Proportionate Share</u>
Total OPEB Liability	\$ 16,090,925,144	\$ 6,511,837
Plan Fiduciary Net Position	(58,670,334)	(23,743)
Net OPEB Liability	<u>\$ 16,149,595,478</u>	<u>\$ 6,535,580</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	0.36%	0.36%

At June 30, 2022 the Authority's proportionate share of the Collective Net OPEB Liability was \$6,535,580. The Authority's proportion of the Collective Net OPEB Liability was 0.040469% which was a decrease from the prior year of 11.01%.

For the Year ended June 30, 2022 the Authority's Total OPEB Negative Expense was -\$69,680.

The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Salary increases*:	
Rate for all future years	2.75% to 6.55%
Thereafter	3.00% to 7.00%

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\* Salary increases are based on years of service within the respective plan.

Mortality:

PERS: Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

Actuarial assumptions used in the July 1, 2021 valuation were based on the results of the PERS experience studies prepared for July 1, 2018 to June 30, 2021.

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

*Discount Rate*

The discount rate for June 30, 2022 was 3.54%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

The following presents the Net OPEB liability as of June 30, 2022, calculated using the discount rate as disclosed above as well as what the Net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	1% Decrease (2.54%)	Discount Rate (3.54%)	1% Increase (4.54%)
Collective			
Net OPEB Liability	\$ 18,720,632,230	\$ 16,090,925,144	\$ 14,080,955,857
Proportionate Share			
Net OPEB Liability	\$ 7,603,677	\$ 6,535,580	\$ 5,719,200

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

The following presents the net OPEB liability as of June 30, 2022, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

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	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Collective			
Net OPEB Liability \$	13,700,188,049	\$ 16,149,595,478	\$ 19,286,596,671
Proportionate Share			
Net OPEB Liability \$	5,544,329	\$ 6,535,580	\$ 7,805,093

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

At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to retired employees' OPEB from the following sources:

	<u>Collective Totals</u>		<u>Proportionate Share</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 833,982,363	\$ (2,993,448,535)	\$ 337,504	\$ (1,211,419)
Changes of assumptions	2,155,230,462	(5,511,545,572)	872,200	(2,230,467)
Net difference between projected and actual earnings on OPEB plan investments	4,251,491		1,721	
Changes in proportion and differences between contributions and proportionate share of contributions			948,438	(1,477,765)
Total	<u>\$ 2,993,464,316</u>	<u>\$ (8,504,994,107)</u>	<u>\$ 2,159,863</u>	<u>\$ (4,919,651)</u>

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

<u>Year ended June 30,</u>	<u>Collective Totals</u>	<u>Proportionate Share</u>
2024	\$ (1,463,380,541)	\$ (732,758)
2025	(1,464,672,406)	(733,405)
2026	(1,156,630,075)	(579,159)
2027	(516,557,746)	(258,656)
2028 - 2029	(910,289,023)	(455,810)
Total	<u>\$ (5,511,529,791)</u>	<u>\$ (2,759,788)</u>

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

*Collective OPEB Expenses reported by the State of New Jersey*

The components of the collective allocable OPEB Expense related to specific liabilities of individual employers for the year ending June 30, 2022 are as follows:

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Service cost	\$	796,654,029
Interest on Total OPEB Liability		401,372,615
Expected Investment Return		86,955
Administrative Expenses		12,334,441
Changes of Benefit Terms		402,474,416
Current Period Recognition (Amortization) of Deferred Inflows/ Outflows of Resources:		
Differences between Expected and Actual Experience		(630,413,303)
Changes in Assumptions		(835,585,441)
Differences between Projected and Actual Investment		
Earnings on OPEB Plan Investments		4,032,008
Total Collective OPEB Expense	\$	<u>150,955,720</u>

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

**Postemployment Benefits Other Than Pensions (OPEB) – Authority Plan**

**General Information about the OPEB Plan**

**Plan Description and Benefits Provided**

The Authority has established a postemployment benefit plan to assist retirees in paying for medical coverage. The plan provides for family dental and vision, a life insurance policy, and reimbursement of Medicare part B premium, if eligible. No assets are accumulated in a trust. In accordance with GASB Statement 75, this plan is considered a Single Employer, Defined Benefit OPEB Plan that is not administered through a Trust that meets the criteria in paragraph 4 of GASB Statement 75.

	<u>June 30, 2022</u>	<u>June 30, 2021</u>
Inactive Employees or Beneficiaries Currently Receiving Benefits	14	14
Active Employees	<u>28</u>	<u>35</u>
	<u>42</u>	<u>49</u>

**Contributions**

Employees are not required to contribute to the plan.

**Total OPEB Liability**

The Authority's total OPEB liability of \$2,751,473 as of June 30, 2023 and \$2,808,346 as of June 30, 2022 was measured as of June 30, 2023 and 2022, respectively. The liabilities were determined by an actuarial valuation as of June 30, 2023 and 2022.

Actuarial assumptions were based on the actual experience of the covered group, to the extent that creditable experience data was available, with an emphasis on expected long-term future trends rather than giving undue weight to recent past experience. The reasonableness of each actuarial assumption was considered independently based on its own merits, its consistency with each other assumption, and the combined impact of all assumptions. In accordance with local Finance Notice 2007-15 issued by the New Jersey Department of Community Affairs, we used demographic and health care assumptions consistent with the assumptions used by the New Jersey Division of Pensions and Benefits and the State

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Health Benefits Plan (SHBP) as reported in their July 1, 2018 Actuarial Valuation to value the GASB obligations.

*Discount Rate*

The discount rate for June 30, 2023 was 3.65%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Mortality:

PERS: Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021.

**Changes in the Total OPEB Liability**

Total OPEB Liability at beginning of year:	\$ 2,808,346
Service cost	65,763
Interest Cost	95,467
Benefit Payments (age adjusted)	(48,678)
Actuarial assumption changes	(169,425)
Total Collective OPEB Expense	<u>\$ 2,751,473</u>

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

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated for using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.65%)	Discount Rate (3.65%)	1% Increase (4.65%)
Net OPEB Liability \$	\$ 3,388,775	\$ 2,751,473	\$ 2,261,498

**Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates**

The following presents the total OPEB liability of the Authority, as well as what the Authority's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

	1% Decrease	Current Rate	1% Increase
Net OPEB Liability \$	\$ 2,250,988	\$ 2,751,473	\$ 3,436,407

MONROE MUNICIPAL UTILITIES AUTHORITY  
(A component unit of the Township of Monroe)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023 and 2022

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected & actual experience		(246,803)
Changes of assumptions	1,551,057	(197,755)
Net difference between projected and actual earnings on pension plan investments		
Changes in proportion and differences between Authority contributions and proportionate share of contributions		
Total	<u>\$ 1,551,057</u>	<u>\$ (444,558)</u>

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

Year ended June 30,		
2024	\$	153,762
2025		153,762
2026		153,762
2027		153,762
2028		153,762
Thereafter		337,689
Total	<u>\$</u>	<u>1,106,499</u>

**Note 12. Deferred Compensation Program**

The Authority offers its employees a Deferred Compensation Plan (“Plan”) created in accordance with Internal Revenue Code Section 403(b). The Plan, available to all full-time employees at their option, permits participants to defer a portion of their salary until future years. Amounts deferred under the plan are not available to employees until termination, retirement, death or unforeseeable emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amount, property, or rights are not included in the books and accounts of the Authority in accordance with the promulgations issued by the Division of Local Government Services and accounting principles generally accepted in the United States of America.

**Note 13. Intergovernmental Agreement**

A service agreement was entered into on June 10, 1960 between the Authority and the Township. Under the Service Agreement, the Township agrees to pay any shortfall the Authority may encounter in making payments for either Operating Expenses and/or Debt Service (Annual Charges).

The Purpose of this agreement is to grant temporary relief to the Authority should it experience difficulty in meeting its obligations. The agreement calls for the Township to be reimbursed for any Annual Charges paid by the Township when the Authority’s operations permit. Ultimately, all Operating Expenses and Debt Services of the Authority are borne by revenue of the system.

MONROE MUNICIPAL UTILITIES AUTHORITY  
(A component unit of the Township of Monroe)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023 and 2022

**Note 14. Arbitrage**

The Tax Reform Act of 1986 place restrictions on investments of the proceeds of certain tax-exempt bonds issued after December 31, 1986. Specifically, investment earnings which are above arbitrage bond yield are required to be rebated to the United States Treasury Department within sixty days of the end of the fifth bond year. A bond year is defined as ending on the anniversary date of bond settlement.

As of June 30, 2023 the Authority has no rebate liability, but reserves will be established if future calculations indicate a liability.

**Note 15: Risk Management**

The Authority is a member of NJ Utility Authorities Joint Insurance Fund. The Fund provides the Authority with the following coverage:

Workers' Compensation and Employer's Liability  
Liability other than Motor Vehicles  
Property Damage other than Motor Vehicles  
Motor Vehicles

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations. The Authority's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$500,000.00 for each insured event.

The Fund publishes its own financial report for the year ended December 31, 2022, which can be obtained from: [The New Jersey Utility Authorities Joint Insurance - Home \(njuajif.org\)](http://The New Jersey Utility Authorities Joint Insurance - Home (njuajif.org))

MONROE MUNICIPAL UTILITIES AUTHORITY  
(A component unit of the Township of Monroe)  
NOTES TO FINANCIAL STATEMENTS  
June 30, 2023 and 2022

**Note 16. Net Position**

The following is a summary of the Authority's unrestricted net position for the fiscal years ended June 30, 2023 and 2022:

Net Position Analysis

	June 30,	
	<u>2023</u>	<u>2022</u>
<b>Invested in Capital Assets, Net of related Liabilities</b>		
Net Capital Assets	31,477,139.51	32,672,500.44
Debt	(4,655,000.00)	(5,940,000.00)
Bond Premium	(235,410.64)	(294,263.29)
Loss on Refunding	6,587.25	8,234.07
	<u>26,593,316.12</u>	<u>26,446,471.22</u>
<b>Restricted</b>	4,937,175.00	4,840,293.75
Reconciliation of Unrestricted Net Position		
Effects of GASB 68 and Pension Related Items	(4,827,511.00)	(5,664,107.00)
Effects of GASB 75 OPEB Related Items	(10,940,342.00)	(10,404,283.12)
Fund balance	13,804,891.46	10,360,225.61
	<u>2,974,213.46</u>	<u>(867,870.76)</u>
<b>Total net position</b>	<u>29,567,529.58</u>	<u>25,578,600.46</u>

**Note 17: Contingencies**

It is the Monroe Municipal Utilities Authority Counsel's opinion that there is no pending litigation against the Authority that would have a material or adverse effect on the Authority or the financial position of the Authority.

**Note 18. Subsequent Events**

Management has reviewed and evaluated all events and transactions that occurred between June 30, 2023 and November 13, 2023, the date that the financial statements were available for issuance, for possible disclosure and recognition in the financial statements. No items have come to the attention of the Authority that would require disclosure.

## **COMPLIANCE**

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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**

The Board of Commissioners  
Monroe Municipal Utilities Authority  
(A component unit of the Township of Monroe)  
County of Gloucester, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of Monroe Municipal Utilities Authority (A component unit of the Township of Monroe) in the County of Gloucester, State of New Jersey, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively Monroe Municipal Utilities Authority's (A component unit of the Township of Monroe) basic financial statements, and have issued our report thereon dated November 13, 2023.

**Internal Control Over Financial Reporting**

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

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

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.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Monroe Municipal Utilities Authority's basic 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 basic 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.

### **Purpose of this Report**

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

*Ford, Scott & Associates, L.L.C.*

FORD, SCOTT & ASSOCIATES, L.L.C.  
CERTIFIED PUBLIC ACCOUNTANTS

*Michael S. Garcia*

Michael S. Garcia  
Certified Public Accountant  
Registered Municipal Accountant  
No. 472

November 13, 2023

## **SUPPLEMENTARY INFORMATION**

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**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the Township of Monroe)**  
**SCHEDULE OF CHANGES IN REQUIRED FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Unrestricted	Restricted			2023	2022
		Debt Service	Debt Service Reserve	Renewal & Replacement		
<b>Operating Revenues:</b>						
Service charges	\$ 13,994,337.67				13,994,337.67	13,231,660.54
Connection fees	1,462,418.54				1,462,418.54	1,031,352.71
Other operating revenues	417,063.48				417,063.48	397,912.63
Total Operating Revenues	<u>15,873,819.69</u>				<u>15,873,819.69</u>	<u>14,660,925.88</u>
<b>Operating Expenses</b>						
Administration:						
Salaries and wages	814,296.18				814,296.18	710,857.83
Fringe benefits	390,191.83				390,191.83	215,824.54
Other expenses	631,300.63				631,300.63	650,896.74
Cost of Providing Services:						
Salaries and wages	1,593,773.74				1,593,773.74	1,647,584.95
Fringe benefits	765,635.19				765,635.19	436,927.93
Other expenses	5,254,531.04				5,254,531.04	5,224,975.27
Depreciation				1,642,017.94	1,642,017.94	1,627,930.97
Total Operating Expenses	<u>9,449,728.61</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,642,017.94</u>	<u>11,091,746.55</u>
Operating Income	<u>6,424,091.08</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,782,073.14</u>	<u>4,145,927.65</u>
<b>Non-Operating Revenues (Expenses)</b>						
Interest income	261,230.96				261,230.96	4,539.47
Interest expense	(193,137.50)				(135,931.67)	(188,594.17)
Major repairs and other expenses				(1,326,102.79)	(1,326,102.79)	(245,506.69)
Contributed capital				24,959.26	446,657.01	
Cancel prior year receivable	(39,549.53)				(39,549.53)	
Prior year payable adjustment	552.00				552.00	
	<u>29,095.93</u>	<u>-</u>	<u>-</u>	<u>(1,301,143.53)</u>	<u>478,903.58</u>	<u>(793,144.02)</u>
Net income (loss) before transfers and contributed capital	<u>6,453,187.01</u>	<u>-</u>	<u>-</u>	<u>(1,301,143.53)</u>	<u>3,988,929.12</u>	<u>3,716,366.26</u>
Transfers Between Funds:						
Restricted Funds	<u>(2,070,453.52)</u>	<u>(502,874.73)</u>	<u>(418.75)</u>	<u>1,288,747.00</u>	<u>1,285,000.00</u>	<u>-</u>
Net increase (Decrease) in Net Position	4,382,733.49	(502,874.73)	(418.75)	(12,396.53)	121,885.64	3,716,366.26
Net Position July 1	<u>(6,453,619.28)</u>	<u>1,837,874.73</u>	<u>1,114,168.75</u>	<u>2,654,571.29</u>	<u>26,425,604.97</u>	<u>25,578,600.46</u>
Net Position June 30	<u>(2,070,885.79)</u>	<u>1,335,000.00</u>	<u>1,113,750.00</u>	<u>2,642,174.76</u>	<u>26,547,490.61</u>	<u>25,578,600.46</u>
<b>Ending Net Position consists of:</b>						
Net Investment in Capital Assets				45,825.51	26,547,490.61	26,593,316.12
Restricted Net Position	1,823,425.00		1,113,750.00	2,000,000.00	4,937,175.00	4,840,293.75
Unreserved Net Position	(3,894,310.79)	1,335,000.00		596,349.25		(5,708,164.51)
Total Fund Equity June 30	<u>\$ (2,070,885.79)</u>	<u>1,335,000.00</u>	<u>1,113,750.00</u>	<u>2,642,174.76</u>	<u>26,547,490.61</u>	<u>29,567,529.58</u>

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the Township of Monroe)**  
**SCHEDULE OF REVENUES, APPROPRIATIONS COMPARED TO BUDGET - SEWER DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Adopted Budget	Transfers	Amended Budget	ACTUAL	UNEXPENDED BALANCE OR (EXCESS)
<b>Revenues:</b>					
Sewer service charges	\$ 6,723,000.00		6,723,000.00	7,409,744.77	(686,744.77)
Connection fees	101,695.00		101,695.00	659,271.66	(557,576.66)
Application fees	2,100.00		2,100.00	3,700.00	(1,600.00)
Search fees	100.00		100.00		100.00
Shared service agreement				34,012.50	(34,012.50)
Miscellaneous	20,000.00		20,000.00	47,779.07	(27,779.07)
<b>Total operating revenues</b>	<b>6,846,895.00</b>	<b>-</b>	<b>6,846,895.00</b>	<b>8,154,508.00</b>	<b>(1,307,613.00)</b>
<b>Nonoperating revenues</b>					
Interest on investments and deposits	2,400.00		2,400.00	120,228.93	(117,828.93)
<b>Total nonoperating revenues</b>	<b>2,400.00</b>	<b>-</b>	<b>2,400.00</b>	<b>120,228.93</b>	<b>(117,828.93)</b>
<b>Total budget revenues</b>	<b>6,849,295.00</b>	<b>-</b>	<b>6,849,295.00</b>	<b>8,274,736.93</b>	<b>(1,425,441.93)</b>
<b>Operating appropriations</b>					
<b>Administration:</b>					
<b>Salaries and wages</b>					
Authority members' salaries	2,375.00		2,375.00	2,375.00	-
Office administration	405,000.00		405,000.00	404,773.09	226.91
<b>Total administration salaries and wages</b>	<b>407,375.00</b>	<b>-</b>	<b>407,375.00</b>	<b>407,148.09</b>	<b>226.91</b>
<b>Fringe benefits</b>					
Pension	57,750.00	1,963.50	59,713.50	59,710.70	2.81
Social security	25,080.00		25,080.00	23,762.23	1,317.77
Medicare	5,940.00		5,940.00	5,525.19	414.81
Unemployment insurance	1,650.00		1,650.00	1,508.38	141.62
Health benefits	147,510.00	13,530.00	161,040.00	150,840.93	10,199.07
<b>Total administration fringe benefits</b>	<b>237,930.00</b>	<b>15,493.50</b>	<b>253,423.50</b>	<b>241,347.43</b>	<b>12,076.07</b>
<b>Other expenses:</b>					
Advertising	1,500.00		1,500.00	1,097.17	402.83
Computer expense	40,000.00	5,000.00	45,000.00	44,595.82	404.18
Dues and subscriptions	2,500.00		2,500.00	1,942.79	557.21
Office maintenance contracts	9,000.00	1,100.00	10,100.00	10,090.26	9.74
Postage	33,000.00		33,000.00	28,170.73	4,829.27
Office supplies	28,000.00	(600.00)	27,400.00	20,939.64	6,460.36
Insurance	88,000.00	6,400.00	94,400.00	94,368.50	31.50
Training and seminars	6,000.00		6,000.00	1,761.26	4,238.74
Auditor	28,000.00		28,000.00	12,275.00	15,725.00
Bond council	2,500.00		2,500.00	339.60	2,160.40
Engineer	95,000.00	(29,900.00)	65,100.00	64,093.57	1,006.43
Solicitor	35,000.00	(15,000.00)	20,000.00	12,377.10	7,622.90
Litigation	10,000.00		10,000.00	1,245.93	8,754.07
Trustee fees	7,000.00		7,000.00	2,775.00	4,225.00
Miscellaneous	4,000.00		4,000.00	2,683.72	1,316.28
Solar	5,000.00		5,000.00	503.89	4,496.11
WQQA	5,000.00		5,000.00	-	5,000.00
Consultant	15,000.00		15,000.00	12,480.00	2,520.00
<b>Total administration other expenses</b>	<b>414,500.00</b>	<b>(33,000.00)</b>	<b>381,500.00</b>	<b>311,739.98</b>	<b>69,760.02</b>
<b>Total administration</b>	<b>1,059,805.00</b>	<b>(17,506.50)</b>	<b>1,042,298.50</b>	<b>960,235.50</b>	<b>82,063.00</b>

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the Township of Monroe)**  
**SCHEDULE OF REVENUES, APPROPRIATIONS COMPARED TO BUDGET - SEWER DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Adopted Budget	Transfers	Amended Budget	ACTUAL	UNEXPENDED BALANCE OR (EXCESS)
Operating appropriations (continued)					
Cost of providing services					
Salaries and wages					
Plant salaries	802,000.00		802,000.00	799,435.03	2,564.97
Total cost of service salaries and wages	802,000.00	-	802,000.00	799,435.03	2,564.97
Fringe benefits					
Pension	117,250.00	3,986.50	121,236.50	121,230.81	5.70
Social security	50,920.00		50,920.00	48,244.54	2,675.46
Medicare	12,060.00		12,060.00	11,217.81	842.19
Unemployment insurance	3,350.00		3,350.00	3,062.47	287.53
Health benefits	299,490.00	27,470.00	326,960.00	306,252.79	20,707.21
Total cost of service fringe benefits	483,070.00	31,456.50	514,526.50	490,008.41	24,518.09
Other expenses					
Electricity	290,000.00	(100.00)	289,900.00	256,915.06	32,984.94
Gas	4,000.00	1,280.00	5,280.00	4,510.96	769.04
Oil	25,000.00	500.00	25,500.00	25,410.99	89.01
Telephone	23,000.00	(3,080.00)	19,920.00	14,980.56	4,939.44
Mobile phones	15,000.00	2,600.00	17,600.00	12,001.92	5,598.08
Chemicals	50,000.00	(49,700.01)	299.99	299.99	(0.00)
Sewerage treatment costs (GCUA)	2,803,000.00		2,803,000.00	2,579,231.47	223,768.53
Equipment repair	125,000.00		125,000.00	119,590.78	5,409.22
Vehicle maintenance	51,000.00	4,850.01	55,850.01	55,008.15	841.86
Fuel/gasoline	22,000.00	14,000.00	36,000.00	27,163.16	8,836.84
Fuel/diesel	24,000.00		24,000.00	22,621.39	1,378.61
Alarm monitoring	18,000.00	(1,400.00)	16,600.00	9,749.15	6,850.85
Miscellaneous equipment materials	209,000.00	9,500.00	218,500.00	214,702.92	3,797.08
Uniforms/safety attire	13,000.00	3,000.00	16,000.00	15,767.51	232.49
Safety compliance	10,000.00		10,000.00	9,022.64	977.36
Building and grounds	12,000.00	3,200.00	15,200.00	14,488.34	711.66
Generator repairs	15,000.00	2,130.55	17,130.55	11,307.99	5,822.56
Total cost of service other expenses	3,709,000.00	(13,219.45)	3,695,780.55	3,392,772.98	303,007.57
Total cost of service appropriations	4,994,070.00	18,237.05	5,012,307.05	4,682,216.42	330,090.63
Principal payments on debt service in lieu of depreciation	317,150.00		317,150.00	317,150.00	-
Nonoperating appropriations:					
Cancel prior year receivable				(2,408.32)	2,408.32
Renewal and Replacement	424,541.00		424,541.00		424,541.00
Interest payments on debt	53,729.00		53,729.00	53,728.06	0.94
Total nonoperating appropriations	478,270.00	-	478,270.00	51,319.74	426,950.26
Total operating, principal payments and nonoperating appropriations	6,849,295.00	730.55	6,850,025.55	6,010,921.66	839,103.89
Excess anticipated revenues over operating, principal payments and nonoperating appropriations	\$ -	(730.55)	(730.55)	2,263,815.27	(2,264,545.82)

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the Township of Monroe)**  
**SCHEDULE OF REVENUES, APPROPRIATIONS COMPARED TO BUDGET - WATER DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Adopted Budget	Transfers	Amended Budget	ACTUAL	UNEXPENDED BALANCE OR (EXCESS)
Revenues:					
Water service charges	\$ 5,554,300.00		5,554,300.00	6,584,592.90	(1,030,292.90)
Connection fees	108,255.00		108,255.00	803,146.88	(694,891.88)
Application fees	2,100.00		2,100.00	4,700.00	(2,600.00)
Hydrant rentals	60,000.00		60,000.00	55,725.00	4,275.00
Search fees	100.00		100.00	41.75	58.25
Sprinkler fees	30,000.00		30,000.00	4,969.89	25,030.11
Meters and yolks	40,000.00		40,000.00	76,508.50	(36,508.50)
Shared service agreement				34,012.50	(34,012.50)
Miscellenaous	20,000.00		20,000.00	155,614.27	(135,614.27)
<b>Total operating revenues</b>	<b>5,814,755.00</b>	<b>-</b>	<b>5,814,755.00</b>	<b>7,719,311.69</b>	<b>(1,904,556.69)</b>
Nonoperating revenues					
Interest on investments and deposits	2,100.00		2,100.00	141,002.03	(138,902.03)
<b>Total nonoperating revenues</b>	<b>2,100.00</b>	<b>-</b>	<b>2,100.00</b>	<b>141,002.03</b>	<b>(138,902.03)</b>
<b>Total budget revenues</b>	<b>5,816,855.00</b>	<b>-</b>	<b>5,816,855.00</b>	<b>7,860,313.72</b>	<b>(2,043,458.72)</b>
Operating appropriations					
Administration:					
Salaries and wages					
Authority members' salaries	2,375.00		2,375.00	2,375.00	-
Office administration	405,000.00	(200.00)	404,800.00	404,773.09	26.91
<b>Total administration salaries and wages</b>	<b>407,375.00</b>	<b>(200.00)</b>	<b>407,175.00</b>	<b>407,148.09</b>	<b>26.91</b>
Fringe benefits					
Pension	57,750.00	1,963.50	59,713.50	59,710.70	2.81
Social security	25,080.00	(709.50)	24,370.50	23,397.67	972.83
Medicare	5,940.00		5,940.00	5,440.02	499.98
Unemployment insurance	1,650.00		1,650.00	1,469.18	180.82
Health benefits	147,510.00	13,530.00	161,040.00	146,515.97	14,524.03
<b>Total administration fringe benefits</b>	<b>237,930.00</b>	<b>14,784.00</b>	<b>252,714.00</b>	<b>236,533.54</b>	<b>16,180.46</b>
Other expenses:					
Advertising	1,500.00		1,500.00	1,088.22	411.78
Computer expense	40,000.00	6,500.00	46,500.00	46,365.08	134.92
Dues and subscriptions	2,500.00		2,500.00	1,942.79	557.21
Office maintenance contracts	9,000.00	1,000.00	10,000.00	9,961.28	38.72
Postage	33,000.00		33,000.00	28,170.75	4,829.25
Office supplies	28,000.00	(500.00)	27,500.00	20,753.29	6,746.71
Insurance	88,000.00	6,550.00	94,550.00	94,476.00	74.00
Training and seminars	6,000.00	(500.00)	5,500.00	1,761.26	3,738.74
Auditor	28,000.00		28,000.00	12,275.00	15,725.00
Bond council	2,500.00		2,500.00	339.60	2,160.40
Engineer	75,000.00	(10,800.00)	64,200.00	64,178.60	21.40
Solicitor	35,000.00	(16,250.00)	18,750.00	12,377.07	6,372.93
Litigation	10,000.00		10,000.00	1,245.92	8,754.08
Trustee fees	10,000.00		10,000.00	8,325.00	1,675.00
Miscellaneous	4,000.00		4,000.00	2,666.90	1,333.10
Solar	5,000.00		5,000.00	503.89	4,496.11
WQQA	5,000.00		5,000.00		5,000.00
Consultant	35,000.00	(1,000.00)	34,000.00	13,130.00	20,870.00
<b>Total administration other expenses</b>	<b>417,500.00</b>	<b>(15,000.00)</b>	<b>402,500.00</b>	<b>319,560.65</b>	<b>82,939.35</b>
<b>Total administration</b>	<b>1,062,805.00</b>	<b>(416.00)</b>	<b>1,062,389.00</b>	<b>963,242.28</b>	<b>99,146.72</b>

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the Township of Monroe)**  
**SCHEDULE OF REVENUES, APPROPRIATIONS COMPARED TO BUDGET - WATER DEPARTMENT**  
**FOR THE YEAR ENDED JUNE 30, 2023**

	Adopted Budget	Transfers	Amended Budget	ACTUAL	UNEXPENDED BALANCE OR (EXCESS)
Operating appropriations (continued)					
Cost of providing services					
Salaries and wages					
Plant salaries	782,000.00	12,350.00	794,350.00	794,338.71	11.29
Total cost of service salaries and wages	<u>782,000.00</u>	<u>12,350.00</u>	<u>794,350.00</u>	<u>794,338.71</u>	<u>11.29</u>
Fringe benefits					
Pension	117,250.00	3,986.50	121,236.50	121,230.81	5.70
Social security	50,920.00	(1,440.50)	49,479.50	47,504.35	1,975.15
Medicare	12,060.00		12,060.00	11,044.90	1,015.10
Unemployment insurance	3,350.00		3,350.00	2,982.88	367.12
Health benefits	299,490.00	17,470.00	316,960.00	297,471.83	19,488.17
Total cost of service fringe benefits	<u>483,070.00</u>	<u>20,016.00</u>	<u>503,086.00</u>	<u>480,234.76</u>	<u>22,851.24</u>
Other expenses					
Electricity	400,000.00	(45,000.00)	355,000.00	354,787.50	212.50
Gas	4,000.00	1,120.00	5,120.00	4,510.93	609.07
Oil	25,000.00	1,400.00	26,400.00	26,395.56	4.44
Telephone	23,000.00	(8,170.00)	14,830.00	14,796.43	33.57
Mobile phones	15,000.00	(3,600.00)	11,400.00	11,308.38	91.62
Chemicals - caustic soda	20,000.00	10,401.65	30,401.65	30,401.65	-
Chemicals - calcium hypochloride	65,000.00	13,996.72	78,996.72	78,996.72	-
Equipment repair	50,000.00	(26,192.77)	23,807.23	25,795.23	(1,988.00)
Water lab test	55,000.00	(24,000.00)	31,000.00	30,435.71	564.29
Meters & yolks	240,000.00	(10,221.20)	229,778.80	157,491.96	72,286.84
State of NJ water tax	14,000.00		14,000.00	8,539.89	5,460.11
Water testing equipment repair	65,000.00	(32,100.00)	32,900.00	31,573.37	1,326.63
Water allocation assessment	23,000.00	60.60	23,060.60	23,060.60	-
Water purchases	625,000.00	46,000.00	671,000.00	670,563.68	436.32
Vehicle maintenance	34,000.00	3,000.00	37,000.00	36,332.86	667.14
Fuel/gasoline	15,000.00	3,000.00	18,000.00	16,758.00	1,242.00
Fuel/diesel	16,000.00		16,000.00	15,080.93	919.07
Alarm monitoring	12,000.00	(1,712.68)	10,287.32	9,399.71	887.61
Miscellaneous equipment materials	122,000.00	42,600.00	164,600.00	159,728.48	4,871.52
Uniforms/safety attire	9,000.00	957.44	9,957.44	9,957.44	-
Safety compliance	10,000.00	(400.00)	9,600.00	8,985.47	614.53
SCADA program	35,000.00	(3,455.11)	31,544.89	31,511.18	33.71
Building and grounds	8,000.00	2,021.35	10,021.35	9,694.74	326.61
Generator repairs	10,000.00	(3,812.97)	6,187.03	4,533.13	1,653.90
Well repairs	80,000.00	11,120.51	91,120.51	91,118.51	2.00
Total cost of service other expenses	<u>1,975,000.00</u>	<u>(22,986.46)</u>	<u>1,952,013.54</u>	<u>1,861,758.06</u>	<u>90,255.48</u>
Total cost of service appropriations	<u>3,240,070.00</u>	<u>9,379.54</u>	<u>3,249,449.54</u>	<u>3,136,331.53</u>	<u>113,118.01</u>
Principal payments on debt service in lieu of depreciation	<u>967,850.00</u>		<u>967,850.00</u>	<u>967,850.00</u>	<u>-</u>
Nonoperating appropriations:					
Cancel prior year receivable				(37,141.21)	37,141.21
Prior year payable adjustment				552.00	(552.00)
Renewal and Replacement	380,389.00		380,389.00		380,389.00
Interest payments on debt	165,741.00		165,741.00	165,740.69	0.31
Total nonoperating appropriations	<u>546,130.00</u>	<u>-</u>	<u>546,130.00</u>	<u>129,151.48</u>	<u>416,978.52</u>
Total operating, principal payments and nonoperating appropriations	<u>5,816,855.00</u>	<u>8,963.54</u>	<u>5,825,818.54</u>	<u>5,196,575.29</u>	<u>629,243.25</u>
Excess anticipated revenues over operating, principal payments and nonoperating appropriations	<u>\$ -</u>	<u>(8,963.54)</u>	<u>(8,963.54)</u>	<u>2,663,738.43</u>	<u>(2,672,701.97)</u>

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Revenue Bonds Payable  
For the Fiscal Year Ended June 30, 2023

Purpose	Date of Issue	Amount of Original Issue	Maturities of Bonds Outstanding June 30, 2023		Interest Rate	Balance 7/1/2022	Increased	Decreased	Balance Dec. 31, 2022
			Date	Amount					
2010A Revenue Bonds	8/29/2010	6,550,000	7/1/2023	525,000.00	4.250%	2,155,000.00		505,000.00	1,650,000.00
			7/1/2024	550,000.00	4.500%				
			7/1/2025	575,000.00	4.500%				
2019 Refunding Bonds	7/23/2019	5,255,000	7/1/2023	810,000.00	4.000%	3,785,000.00		780,000.00	3,005,000.00
			7/1/2024	840,000.00	4.000%				
			7/1/2025	430,000.00	4.000%				
			7/1/2026	455,000.00	4.000%				
			7/1/2027	470,000.00	4.000%				
						<u>\$ 5,940,000.00</u>	<u>-</u>	<u>1,285,000.00</u>	<u>4,655,000.00</u>

**REQUIRED SUPPLEMENTARY INFORMATION**

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**MONROE MUNICIPAL UTILITIES AUTHORITY**  
(A component unit of the Township of Monroe)  
**Schedule of the Authority's Proportionate Share of the Net Pension Liability**  
Public Employee Retirement System  
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability (asset)	0.02869700390%	0.03347011950%	0.03004964860%	0.02940376290%	0.03311306350%	0.03342522370%	0.0319863315%	0.0318121301%	0.0296834402%	0.0309754913%
Authority's proportion of the net pension liability (asset)	\$ 4,330,773	\$ 3,965,037	\$ 4,900,312	5,298,112	6,519,797	7,780,858	9,473,434	7,141,186	5,557,552	5,920,032
Authority's covered payroll	2,084,080	2,365,044	2,159,260	2,136,176	2,325,380	2,315,692	2,186,344	2,194,428	2,048,656	2,136,236
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207.80%	167.65%	226.94%	248.02%	280.38%	336.01%	433.30%	325.42%	271.28%	277.12%
Plan fiduciary net position as a percentage of the total pension liability	62.91%	70.33%	56.32%	56.27%	53.60%	48.10%	47.93%	47.93%	52.08%	48.72%

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

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
(A component unit of the Township of Monroe)  
Schedule of Authority Contributions  
Public Employee Retirement System  
Last Ten Fiscal Years

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 370,123	\$ 361,883	\$ 391,974	\$ 328,728	286,014	329,368	309,649	284,162	273,499	244,706
Contributions in relation to the contractually required contribution	370,123	361,883	391,974	328,728	286,014	329,368	309,649	284,162	273,499	244,706
Contribution deficiency (excess)	-	-	-	-	-	-	-	-	-	-
Authority's covered-employee payroll	\$ 2,084,080	\$ 2,365,044	\$ 2,159,260	2,136,176	2,325,380	2,315,692	2,186,344	2,194,428	2,048,656	2,136,236
Contributions as a percentage of covered-employee payroll	17.76%	15.30%	18.15%	15.39%	12.30%	14.22%	14.16%	12.95%	13.35%	11.46%

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

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of the Authority's Proportionate Share of the Net OPEB Liability**  
**Public Employee Retirement System**  
**Last Seven Fiscal Years**

	2023	2022	2021	2020	2019	2018	2017
Authority's proportion of the net OPEB liability (asset)	0.040469%	0.045477%	0.043186%	0.039345%	0.041521%	0.041938%	0.045292%
Authority's proportionate of the net OPEB liability (asset)	6,535,580	8,185,761	7,750,424	5,329,702	6,504,937	8,561,973	9,836,274
Authority's covered payroll	2,084,080	2,365,044	2,159,260	2,136,176	2,325,380	2,315,692	2,186,344
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	313.60%	346.11%	358.94%	249.50%	279.74%	369.74%	0.00%
Plan fiduciary net position as a percentage of the total OPEB liability	0.36%	0.28%	0.91%	1.98%	1.97%	1.03%	0.69%

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

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

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**Schedule of the Authority's Proportionate Share of the Net OPEB Liability**  
**Public Employee Retirement System - Private Plan**  
**Last Seven Fiscal Years**

	2023	2022	2021	2020	2019	2018
Total OPEB liability						
Service Cost	65,763	51,783	45,481	53,621	35,111	19,026
Interest Cost	95,467	37,297	32,518	35,129	26,264	-
Benefit Payments	(48,678)	(40,019)	(14,506)	(329,571)	(14,506)	(14,506)
Actuarial Assumption Changes	(169,425)	1,436,179	77,144	(70,731)	340,256	275,509
Actuarial Demographic Gains		(47,260)				87,992
Net Change in Total OPEB Liability	(56,873)	1,437,980	140,637	(311,552)	387,125	368,021
Total OPEB liability beginning of year	2,808,346	1,370,366	1,229,729	1,541,281	1,154,156	786,135
Total OPEB liability beginning of year	<u>\$ 2,751,473</u>	<u>\$ 2,808,346</u>	<u>\$ 1,370,366</u>	<u>\$ 1,229,729</u>	<u>\$ 1,541,281</u>	<u>\$ 1,154,156</u>
Covered Employee Payroll	2,159,260	2,136,176	2,325,380	2,315,692	2,186,344	2,194,428
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	127.43%	131.47%	58.93%	53.10%	70.50%	52.59%

Source: GASB 75 report on private plan

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

**MONROE MUNICIPAL UTILITIES AUTHORITY**  
**(A component unit of the Township of Monroe)**  
**GENERAL COMMENTS AND RECOMMENDATIONS**

**Findings and Recommendations**

None

**Status of Prior Year's Audit Recommendations**

There were no prior year recommendations.

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

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

*Michael S. Garcia*

Michael s. Garcia  
Certified Public Accountant  
Registered Municipal Accountant  
No. 472