

**THE VERNON TOWNSHIP
MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the
Township of Vernon)**

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairperson and Members of the
Vernon Township Municipal Utilities Authority
21 Church Street
Vernon, NJ 07462

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Vernon Township Municipal Utilities Authority, which comprise the statement of net position as of December 31, 2021 and 2020, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Vernon Township Municipal Utilities Authority as of December 31, 2021 and 2020, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Vernon Township Municipal Utilities Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if, individually or in the aggregate, they could reasonably be expended to influence the economic decisions of users made on the basis of these financial statements.

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

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Vernon Township Municipal Utilities 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 Vernon Township Municipal Utilities Authority's ability to continue as a going concern for a reasonable period of time.

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

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprises the Vernon Township Municipal Utilities Authority's financial statements. The Supplemental Schedules are presented for purposes of additional analysis and are not a required part of the financial statements.



Honorable Chairperson and Members of the
Vernon Township Municipal Utilities Authority
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The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2022 on our consideration of the Vernon Township Municipal Utilities 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 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 Vernon Township Municipal Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,

Wielkotz & Company, LLC

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

May 19, 2022



Required Supplementary Information

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Vernon Township Municipal Utilities Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal years ended December 31, 2021 and 2020. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$866,820 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$659,202.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$15,714 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Unrestricted net position of \$851,106 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.

Overview of the Financial Statements

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

Required Financial Statements

The financial statements of the Authority report information of the Authority using accounting methods similar to those used by private sector companies. These statements offer short and long-term financial information about its activities. The *Statement of Net Position* includes all of the Authority's assets and liabilities and provides information about the nature and amounts of investments in resources (assets) and the obligations to Authority creditors (liabilities). It also provides the basis for evaluating the capital structure of the Authority and assessing the liquidity and financial flexibility of the authority.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis of the Authority

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

**THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Position

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

The Authority's net position at fiscal year-end is \$866,820. A summary of the Authority's statement of net position is presented in the following table:

**Condensed Statement of Net Position at December 31, 2021
With Comparative Prior Year Balances**

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Other Assets	6,450,273	6,368,076	82,197	1.29%
Capital Assets (Net)	<u>15,714</u>	<u>24,693</u>	<u>(8,979)</u>	(36.36)%
Total Assets	<u>6,465,987</u>	<u>6,392,769</u>	<u>73,218</u>	
Other Liabilities	<u>5,599,167</u>	<u>5,733,567</u>	<u>(134,400)</u>	(2.34)%
Total Liabilities	<u>5,599,167</u>	<u>5,733,567</u>	<u>(134,400)</u>	
Net Position:				
Net Investment in Capital Assets	15,714	24,693	(8,979)	(36.36)%
Unrestricted	<u>851,106</u>	<u>634,509</u>	<u>216,597</u>	34.14%
Total Net Position	<u>866,820</u>	<u>659,202</u>	<u>207,618</u>	

While the *Statement of Net Position* shows the change in financial position of net assets, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes. As can be seen in the following table, net position increased by \$207,618.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Position (Continued)

The Authority's net position at the FY 2020 year end was \$659,202. This is a \$416,587 increase over FY 2019 net position of \$242,615. A summary of the Authority's statement of net position is presented in the following table:

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Other Assets	6,368,076	6,338,231	29,845	0.47%
Capital Assets (Net)	<u>24,693</u>	<u>33,673</u>	<u>(8,980)</u>	<u>(26.67)%</u>
Total Assets	<u>6,392,769</u>	<u>6,371,904</u>	<u>20,865</u>	
Other Liabilities	<u>5,733,567</u>	<u>6,129,289</u>	<u>(395,722)</u>	<u>(6.46)%</u>
Total Liabilities	<u>5,733,567</u>	<u>6,129,289</u>	<u>(395,722)</u>	
Net Position:				
Net Investment in Capital Assets	24,693	33,673	(8,980)	(26.67)%
Unrestricted	<u>634,509</u>	<u>208,942</u>	<u>425,567</u>	<u>203.68%</u>
Total Net Position	<u>659,202</u>	<u>242,615</u>	<u>416,587</u>	

**THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Position (Continued)

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

	<u>2021</u>	<u>2020</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	2,280,853	2,281,743	(890)	(0.04)%
Non-Operating Revenues	<u>120,865</u>	<u>86,171</u>	<u>34,694</u>	40.26%
Total Revenues	<u>2,401,718</u>	<u>2,367,914</u>	<u>33,804</u>	
Operating Expense	<u>2,598,380</u>	<u>2,417,493</u>	<u>180,887</u>	7.48%
Total Expenses	<u>2,598,380</u>	<u>2,417,493</u>	<u>180,887</u>	7.48%
Contributions	<u>404,280</u>	<u>466,166</u>	<u>(61,886)</u>	(13.28)%
Change in Net Position	207,618	416,587	(208,969)	(50.16)%
Beginning Net Position	<u>659,202</u>	<u>242,615</u>	<u>416,587</u>	171.71%
Ending Net Position	<u>866,820</u>	<u>659,202</u>	<u>207,618</u>	31.50%

The Authority's Operating Revenues consist of sewer user charges. Nonoperating Revenues consist of connection fees, interest on investments, and other income. The Authority's operating revenues decreased by \$890 to \$2,280,853 in 2021 from \$2,281,743 in 2020. Non-operating revenues increased by \$34,694 to \$120,865 primarily due to increases in connection fees and other income.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

Net Position (Continued)

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

	<u>2020</u>	<u>2019</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	2,281,743	2,101,234	180,509	8.59%
Non-Operating Revenues	<u>86,171</u>	<u>138,165</u>	<u>(51,994)</u>	(37.63)%
Total Revenues	<u>2,367,914</u>	<u>2,239,399</u>	<u>128,515</u>	
Operating Expense	2,417,493	2,511,634	(94,141)	(3.75)%
Non-Operating Expenses	<u> </u>	<u>133,000</u>	<u>133,000</u>	100.00%
Total Expenses	<u>2,417,493</u>	<u>2,644,634</u>	<u>(227,141)</u>	(8.59)%
Contributions	<u>466,166</u>	<u>512,394</u>	<u>(46,228)</u>	(9.02)%
Change in Net Position	416,587	107,159	309,428	288.76%
Beginning Net Position	<u>242,615</u>	<u>135,456</u>	<u>107,159</u>	79.11%
Ending Net Position	<u><u>659,202</u></u>	<u><u>242,615</u></u>	<u><u>416,587</u></u>	171.71%

Budgetary Highlights

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

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

The following table provides a 2021 and 2020 budget comparison:

**Budget vs. Actual
FY 2021**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	2,820,642	2,870,503	49,861
Expenses:			
Operating	<u>2,820,642</u>	<u>2,589,401</u>	<u>231,241</u>
Income Before Depreciation	<u>0</u>	<u>281,102</u>	<u>281,102</u>

**Budget vs. Actual
FY 2020**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	2,814,839	2,825,080	10,241
Expenses:			
Operating	<u>2,814,839</u>	<u>2,408,513</u>	<u>406,326</u>
Income Before Depreciation	<u>0</u>	<u>416,567</u>	<u>416,567</u>

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of 2021, the Authority had invested \$44,898 in capital assets. The Authority's net plant and equipment at fiscal year-end was \$15,714. This is a \$8,979 decrease under last year's net plant, property and equipment of \$24,693. A summary of the Authority's capital assets is presented in the following table:

	<u>FY 2021</u>	<u>FY 2020</u>	<u>Dollar Change</u>	<u>FY 2018</u>
Vehicles	<u>44,898</u>	<u>44,898</u>	<u>-0-</u>	<u>44,898</u>
Total Capital Assets	44,898	44,898	-0-	44,898
Less: Accumulated Depreciation	<u>(29,184)</u>	<u>(20,205)</u>	<u>(8,979)</u>	<u>(2,245)</u>
Net Capital Assets	<u>15,714</u>	<u>24,693</u>	<u>(8,979)</u>	<u>42,653</u>

Debt Administration

At December 31, 2021, the Authority had no outstanding revenue and revenue refunding bonds. However, under an interlocal agreement with the Township of Vernon, the Authority is obligated to pay the outstanding debt service on the Township of Vernon's Bond Ordinances #11-22 and #11-23, currently in the amount of \$5,186,316. Additionally, under the Interlocal Agreement with the Township of Vernon, the Authority is obligated to pay a general charge to the Sussex County Municipal Utilities Authority which "shall at all times be sufficient to pay the principal of and interest on any and all bonds or other obligations of the Sussex County Municipal Utilities Authority issued to finance in whole or in part, the Sussex County Municipal Utilities Authority's Upper Walkkill System as the same become due".

Economic Factors, Future Years' Budgets and Rates

The Commissioners and Management of the Authority consider many factors when preparing each year's budget and annual charges. The main factors are maintaining the Authority's existing system, plans for improvements, respond to new regulations issued by the State and Federal governments and understanding the current economic conditions impacting the Authority and our customers.

**THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)**

MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)

At the time of this report, the Authority is carefully monitoring the effects of the novel coronavirus (COVID-19) outbreak. In response to this outbreak, many companies have taken steps such as reducing hours, reducing staff, or closing. The extent of the impact of COVID-19 on operational and financial performance will depend on many factors, including the duration on spread of the outbreak, impact on our customers, employees and vendors all of which cannot be predicted. At this point, the extent to which COVID-19 may impact the Authority's financial condition or results of operations is uncertain; however, the Authority continues to monitor the situation.

Contacting the Authority

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Vernon Township Municipal Utilities Authority, 21 Church Street, Vernon, New Jersey 07462 or visit the Authority's website at www.vernonmua.com.

Financial Statements

VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)
Statement of Net Position
December 31,

	2021	2020
ASSETS:		
Current Assets:		
Unrestricted:		
Cash and cash equivalents	\$ 979,092	\$ 805,070
Consumer Accounts Receivable	306,478	311,225
Due From Township of Vernon	205,722	105,000
Total Unrestricted Assets	1,491,292	1,221,295
Restricted:		
Cash and cash equivalents	5,398	6,077
Total Restricted Assets	5,398	6,077
Noncurrent Assets:		
Capital Assets Being Depreciated:		
Vehicles	44,898	44,898
Accumulated Depreciation	(29,184)	(20,205)
Total Capital Assets	15,714	24,693
Other Assets:		
Due From Developer - Deficit Agreement	953,583	1,140,704
Franchise	4,000,000	4,000,000
Total Other Assets	4,953,583	5,140,704
TOTAL ASSETS	6,465,987	6,392,769

See accompanying Notes to the Financial Statements.

VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)
Statement of Net Position
December 31,

	2021	2020
LIABILITIES:		
Current Liabilities:		
Payable from Unrestricted Assets:		
Accounts Payable	\$ 40,410	\$ 38,111
Payroll Taxes Payable		57
Due to Township of Vernon	367,043	274,326
Total Payable from Unrestricted Assets	407,453	312,494
Payable from Restricted Assets:		
Escrow Deposits Payable	5,398	6,077
Total Payable from Restricted Assets	5,398	6,077
Total Current Liabilities	412,851	318,571
Non-Current Liabilities:		
Due to Township of Vernon-Debt Service	5,186,316	5,414,996
Total Non-Current Liabilities	5,186,316	5,414,996
TOTAL LIABILITIES	5,599,167	5,733,567
NET POSITION:		
Net Investment in Capital Assets	15,714	24,693
Unrestricted	851,106	634,509
	\$ 866,820	\$ 659,202

See accompanying Notes to the Financial Statements.

VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 (A Component Unit of the Township of Vernon)
 Statement of Revenues, Expenses and Changes in Net Position
 For the Years Ended December 31,

	<u>2021</u>	<u>2020</u>
Operating Revenues:		
Sewer Charges	\$ 2,280,853	\$ 2,281,743
Total Operating Revenue	<u>2,280,853</u>	<u>2,281,743</u>
Operating Expenses:		
Administration	290,295	370,332
Costs of Providing Services	2,299,106	2,038,181
Depreciation	<u>8,979</u>	<u>8,980</u>
Total Operating Expenses	<u>2,598,380</u>	<u>2,417,493</u>
Operating Income (Loss)	(317,527)	(135,750)
Non-Operating Revenues (Expenses):		
Interest on Investments	2,837	3,902
Connection Fees	15,161	
Prior Year Payables Cancelled	22,929	9,000
Other Income	<u>79,938</u>	<u>73,269</u>
Net Non-Operating Income (Expenses)	<u>120,865</u>	<u>86,171</u>
Income/(Loss) Before Contributions	(196,662)	(49,579)
Contributions	<u>404,280</u>	<u>466,166</u>
Change in Net Position	207,618	416,587
Net Position, January 1,	<u>659,202</u>	<u>242,615</u>
Net Position, December 31,	<u>\$ 866,820</u>	<u>\$ 659,202</u>

See accompanying Notes to the Financial Statements.

VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of the Township of Vernon)

Statement of Cash Flows

For the Years Ended December 31,

Exhibit C

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	<u>2021</u>		<u>2020</u>
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 2,300,761	\$	2,121,727
Cash Received from Developers	591,401		653,287
Interest Received	2,837		3,902
Other Operating Receipts	79,938		73,269
Cash Paid to Employees	(114,480)		(65,974)
Cash Paid for Employee Benefits	(23,479)		(10,099)
Cash Paid to Suppliers	(2,426,950)		(2,345,662)
	<hr/>		<hr/>
Net cash provided (used) by operating activities	410,028		430,450
Cash Flows from Non-Capital Financing Activities:			
Repayments to Township of Vernon	(236,685)		(478,500)
Net cash provided (used) by non-capital financing activities	(236,685)		(478,500)
	<hr/>		<hr/>
Net increase / (decrease) in cash and cash equivalents	173,343		(48,050)
Cash and cash equivalents, Beginning of Year	<hr/>		<hr/>
	811,147		859,197
Cash and cash equivalents, End of Year	\$ <u>984,490</u>	\$	<u>811,147</u>
 Classified As:			
Unrestricted Cash and Cash Equivalents	\$ 979,092	\$	805,070
Restricted Cash and Cash Equivalents	5,398		6,077
	<hr/>		<hr/>
	\$ <u>984,490</u>	\$	<u>811,147</u>

See accompanying Notes to the Financial Statements.

VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of the Township of Vernon)

Statement of Cash Flows

For the Years Ended December 31,

Exhibit C

(Page 2 of 2)

	<u>2021</u>		<u>2020</u>
Reconciliation of Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Operating Income / (Loss)	\$ (317,527)	\$	(135,750)
Adjustments to reconcile operating income / (loss) to net cash provided by operating activities:			
Depreciation	8,979		8,980
Connection Fees	15,161		
Other Operating Receipts	79,938		73,269
Interest Income	2,837		3,902
Developer Contributions	591,401		653,287
Prior Year Payables Cancelled	22,929		9,000
Changes in operating assets and liabilities:			
(Increase) Decrease in consumer accounts receivable	4,747		(160,016)
Increase (Decrease) in accounts payable	2,299		(22,222)
Increase (Decrease) in payroll taxes payable	(57)		
Increase (Decrease) in escrow deposits	(679)		
Net cash provided (used) by operating activities	<u>\$ 410,028</u>	\$	<u>430,450</u>

See accompanying Notes to the Financial Statements.

NOTES TO FINANCIAL STATEMENTS

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

1. GENERAL

The Vernon Township Municipal Utilities Authority (“VTMUA”) is a public body corporate and politic organized under the laws of the State of New Jersey and was created by Ordinance Number 11-12 adopted by the Mayor and Council of the Township of Vernon in 2011.

The Authority was created for the purpose of providing public sewage collection for its customers.

New Jersey statutes provide for the creation, dissolution and operations of separate bodies corporate and politic for the purpose of fostering the provision and distribution of an adequate supply of water and the collection, treatment, disposal and recycling of waste water and sewage sludge. These statutes were enacted as the “Municipal and Counties Utilities Authorities Act”, and are codified in New Jersey statutes annotated as NJSA 40:14B-1 et. seq. Additional statutory requirements relating to the financial operations of independent local authorities were established as the “Local Authorities Fiscal Control Law”, which is codified as NJSA 40A:5A-1 et. seq. The provisions of the Local Authorities Fiscal Control Law established the Local Finance Board and the Division of Local Government Services, in the Department of Community Affairs (DCA), State of New Jersey, as oversight agencies for the creation, project financing, budgeting and overall financial condition of local authorities.

The VTMUA consists of five members, called commissioners, and up to two alternates, each serving a five (5) year staggered term. Commissioners of the VTMUA are responsible for setting policy, approving goals and objectives, overseeing VTMUA affairs and directing the activity of the staff affairs.

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

The Governmental Accounting Standards Board (GASB) requires the financial reporting entity to include both the primary government and its component units. Component units are legally separate organizations for which the Authority is financially accountable or other organizations for which the nature and significance of their relationship with the primary government is such that exclusion would cause the reporting entity’s financial statements to be misleading or incomplete. The Authority is financially accountable for an organization if the Authority appoints a voting majority of the organization’s board, and (1) the Authority is able to significantly influence the programs or services performed or provided by the organization; or (2) the Authority is legally entitled to or can otherwise access the organization’s resources; the Authority is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the organization; or the Authority is obligated for the debt of the organization. Component units may also include organizations that are fiscally dependent on the Authority in that the Authority approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Authority has no component units, however the Vernon Township Municipal Utilities Authority is a component unit of the Township of Vernon.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. MEASUREMENT FOCUS, BASIS OF ACCOUNTING AND FINANCIAL STATEMENT PRESENTATION

The accounts of the Authority are organized into one fund with self-balancing accounting records that comprise its assets, liabilities, net position, revenues and expenses. The fund type and fund category is as follows:

Proprietary Fund Types

Enterprise Funds - The Enterprise Fund is used to account for governmental operations which are financed and operated in a manner similar to private enterprises, where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to its users on a continuing basis be financed or recovered primarily through user charges. The Authority maintains an enterprise fund to account for its Wastewater System Operations.

The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. All assets and all liabilities associated with the enterprise fund operations are included on the Statement of Net Position. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of the timing of related cash flows.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. Operating expenses for enterprise funds include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

B. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION

Cash and Cash Equivalents

Cash and cash equivalents include money market funds and short-term investments including Certificates of Deposit, with a maturity of three months or less carried at cost, which approximates market.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(continued)

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

B. **ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION, (continued)**

Investments

Investments consist of Certificates of Deposit and direct obligations of the U.S. Government, U.S. Government Agencies, repurchase agreements and investments in money market funds and are valued at cost, which approximates market.

Inventories

Inventories of materials and supplies are considered expenditures when purchased.

Accounts Receivable

All receivables are reported at their gross values.

Capital Assets

Property, plant and equipment is stated at cost which included direct construction costs and other expenditures related to construction.

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

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

Vehicles	5 Years
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Deferred Outflows/Inflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The Authority does not have any items that qualify for reporting in this category for the year ended December 31, 2021.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION, (continued)

Deferred Outflows/Inflows of Resources, (continued)

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority does not have any items that qualify for reporting in this category for the year ended December 31, 2021.

Allowance for Doubtful Accounts

The Authority does not provide an allowance for doubtful accounts because of the Authority's ability to compel payments through the lien or shut off process.

Net Position

Net position represents the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources, and are displayed in the following three components:

Net Investment in Capital Assets

The *net investment in capital assets* component of net position consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent unrelated debt proceeds or deferred inflows of resources at the end of the reporting period, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component (restricted or unrestricted) as the unspent amount.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

B. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES AND NET POSITION, (continued)

Restricted Component of Net Position

The *restricted* component of net position consists of restricted assets reduced by liabilities and deferred inflows of resources related to those assets. Generally, a liability relates to restricted assets if the asset results from a resource flow that also results in the recognition of a liability or if the liability will be liquidated with the restricted assets reported.

Unrestricted Component of Net Position

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

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

C. REVENUES AND EXPENSES

Operating Fund Budget

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by a majority of the full membership of the governing body. Two certified copies are submitted to the director of the Division of Local Government Services at least 60 days prior to the beginning of the Authority's fiscal year for approval prior to its adoption.

The budget is to be in such form and detail as to items of revenue, expenses and other content as required by law or by rules and regulations of the Local Finance Board.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(continued)

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

C. **REVENUES AND EXPENSES, (continued)**

No Authority budget can be finally adopted until the Director has approved the budget.

A public hearing is conducted to obtain citizen comment on the proposed budget.

Appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date (N.J.S.A. 5:31-2.8).

Proprietary Funds Operating and Nonoperating Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. **RECENT ACCOUNTING PRONOUNCEMENTS**

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

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. RECENT ACCOUNTING PRONOUNCEMENTS, (continued)

Update—2018; Implementation Guide No. 2019-1, *Implementation Guidance Update—2019*; Implementation Guide No. 2019-2, *Fiduciary Activities*. The effective dates of the following pronouncements are postponed by 18 months: Statement No. 87, *Leases*; Implementation Guide No. 2019-3, *Leases*. The requirements of this Statement are effective immediately.

In May 2020, the Government Accounting Standards Board issued GASB Statement No. 96, Subscription-Based Information Technology Arrangements. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The requirements of this Statement are effective for fiscal years beginning after June 15, 2022. The Authority is still determining the effects, if any, this statement will have on future financial statements.

In June 2020, the Government Accounting Standards Board issued GASB Statement No. 97, Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32. The primary objectives of this Statement are to (1) increase consistency and comparability related to the reporting of fiduciary component units in circumstances in which a potential component unit does not have a governing board and the primary government performs the duties that a governing board typically would perform; (2) mitigate costs associated with the reporting of certain defined contribution pension plans, defined contribution other postemployment benefit (OPEB) plans, and employee benefit plans other than pension plans or OPEB plans (other employee benefit plans) as fiduciary component units in fiduciary fund financial statements; and (3) enhance the relevance, consistency, and comparability of the accounting and financial reporting for Internal Revenue Code (IRC) Section 457 deferred compensation plans (Section 457 plans) that meet the definition of a pension plan and for benefits provided through those plans. The requirements of this Statement that (1) exempt primary governments that perform the duties that a governing board typically performs from treating the absence of a governing board the same as the appointment of a voting majority of a governing board in determining whether they are financially accountable for defined contribution pension plans, defined contribution OPEB plans, or other employee benefit plans and (2) limit the applicability of the financial burden criterion in paragraph 7 of Statement 84 to defined benefit pension plans and defined benefit OPEB plans that are administered through trusts that meet the criteria in paragraph 3 of Statement 67 or paragraph

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. RECENT ACCOUNTING PRONOUNCEMENTS, (continued)

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

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

In April 2022, the Government Accounting Standards Board issued GASB Statement No. 99, Omnibus 2022. The Objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The practice issues addressed by this Statement are as follows:

- Classification and reporting of derivative instruments within the scope of Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*, that do not meet the definition of either an investment derivative instrument or a hedging derivative instrument.
- Clarification of provisions in Statement No. 87, *Leases*, as amended, related to the determination of the lease term, classification of a lease as a short-term lease, recognition and measurement of a lease liability and a lease asset, and identification of lease incentives.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. RECENT ACCOUNTING PRONOUNCEMENTS, (continued)

- Clarification of provisions in Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, related to (a) the determination of the public-private and public-public partnership (PPP) term and (b) recognition and measurement of installment payments and the transfer of the underlying PPP asset.
- Clarification of provisions in Statement No. 96, *Subscription-Based Information Technology Arrangements*, related to the subscription-based information technology arrangement (SBITA) term, classification of a SBITA as a short-term SBITA, and recognition and measurement of a subscription liability.
- Extension of the period during which the London Interbank Offered Rate (LIBOR) is considered an appropriate benchmark interest rate for the qualitative evaluation of the effectiveness of an interest rate swap that hedges the interest rate risk of taxable debt.
- Accounting for the distribution of benefits as part of the Supplemental Nutrition Assistance Program (SNAP).
- Disclosures related to nonmonetary transactions
- Pledges of future revenues when resources are not received by the pledging government
- Clarification of provisions in Statement No. 34, *Basic Financial Statements— and Management’s Discussion Analysis—for State and Local Governments*, as amended, related to the focus of the government-wide financial statements.
- Terminology updates related to certain provisions of Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*
- Terminology used in Statement 53 to refer to resource flows statements.

The requirements of this Statement that are effective as follows:

- The requirements related to extension of the use of LIBOR, accounting for SNAP distributions, disclosures of nonmentary transactions, pledges of future revenues by pledging governments, clarification of certain provisions in Statement 34, as amended, and terminology updates related to Statement 53 and Statement 63 are effective upon issuance.
- The requirements related to leases, PPPs, and SBITAs are effective for fiscal years beginning after June 15, 2022, and all reporting periods thereafter.
- The requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of Statement 53 are effective for fiscal years beginning after June 15, 2023, and all reporting periods thereafter.

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

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(continued)

3. CASH AND CASH EQUIVALENTS

Deposits:

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

The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unity Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unity Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lesser of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC.

Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At December 31, 2021 and 2020, the book value of the Authority's deposits were \$984,490 and \$811,147, respectively, and bank balances of the Authority's cash and deposits amounted to \$989,944 and \$805,618, respectively.

Custodial Credit 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 on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2021, \$-0- of the Authority's bank balance of \$989,944 was exposed to custodial credit risk.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(continued)

4. PROPERTY, PLANT AND EQUIPMENT

A detail of the Authority's property, plant and equipment activity for the years ended December 31, 2021 and 2020 is as follows:

	<u>Balance</u> <u>Dec. 31, 2020</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>Dec. 31, 2021</u>
Capital Assets Being Depreciated:				
Vehicles	\$44,898	\$ _____	\$ -0-	\$44,898
Total Capital Assets Being Depreciated	44,898	0	-0-	44,898
Less:				
Accumulated Deprecation	<u>(20,205)</u>	<u>(8,979)</u>	<u>-0-</u>	<u>(29,184)</u>
Total Capital Assets Being Depreciated (Net)	<u>24,693</u>	<u>(8,979)</u>	<u>-0-</u>	<u>15,714</u>
	<u>\$24,693</u>	<u>(\$8,979)</u>	<u>\$ -0-</u>	<u>\$15,714</u>
	<u>Balance</u> <u>Dec. 31, 2019</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>Dec. 31, 2020</u>
Capital Assets Being Depreciated:				
Vehicles	\$44,898	\$ _____	\$ -0-	\$44,898
Total Capital Assets Being Depreciated	44,898	0	-0-	44,898
Less:				
Accumulated Deprecation	<u>(11,225)</u>	<u>(8,980)</u>	<u>-0-</u>	<u>(20,205)</u>
Total Capital Assets Being Depreciated (Net)	<u>33,673</u>	<u>(8,980)</u>	<u>-0-</u>	<u>24,693</u>
	<u>\$33,673</u>	<u>(\$8,980)</u>	<u>\$ -0-</u>	<u>\$24,693</u>

5. SERVICE CONTRACT - SUSSEX COUNTY MUA

The Township of Vernon has entered into a service contract with the Sussex County Municipal Utilities Authority for the treatment and disposal of the sewage collected by its facilities in Vernon Township. In consideration for the treatment and disposal of its sewage, the Township shall make payments ("Annual Charges") to the Sussex County Municipal Utilities Authority. The Annual Charge for each Fiscal Year payable by the Township shall consist of and include an Operating Charge and a General Charge. The Upper Wallkill Operating Charge to all Participants shall at all times be sufficient to pay or provide for the expenses of operating, repair and maintenance of the Upper Wallkill System including (without limitation of the foregoing) insurance, renewals and replacements, and the cost of all enlargements and alterations of the Upper Wallkill System not otherwise provided for. The Upper Wallkill General Charge to all Participants shall at all times be sufficient to pay the principal of and interest on any and all bonds or other obligations of the Authority issued to finance in whole or in part the Upper Wallkill System as the same become due, and to provide for any deficits of the Authority resulting from failure to receive sums payable to the Authority by any Participant or any other person, partnership, firm or corporation, or from any other cause, and to provide and maintain

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(continued)

5. SERVICE CONTRACT - SUSSEX COUNTY MUA, (continued)

such reserves or sinking funds for any of the foregoing purposes as may be required by the terms of any contract or other obligation.

On or before December 15 in each fiscal year, the Sussex County Municipal Utilities Authority will make an estimate of the amount of the Annual Charge which will become payable by the Township for such Fiscal Year, and make and deliver to the Company its certificate signed by an Authority Officer stating such estimated amount of such Annual Charge for such Fiscal Year.

The Township of Vernon shall pay to the Sussex County Municipal Utilities Authority in each Fiscal Year the estimated amount of the Annual Charge stated in the certificate delivered to it by the Authority as aforesaid in four equal payments on or before February 15, May 15, August 15 and November 15 of such Fiscal Year.

On or before December 31 of each Fiscal Year, the Sussex County Municipal Utilities Authority will make and deliver to the Township its certificate signed by an Authority Officer stating (1) the amount of the Annual Charge with respect to the Vernon Township Municipal Utilities Authority for the immediately preceding Fiscal Year and the part (if any) of such Annual Charge not previously paid to the Authority by the Vernon Township Municipal Utilities Authority, accompanied by an accountant's Certificate approving the statements in such certificate, and on or before February 1 immediately following the close of such Fiscal Year, the Township will pay to the Sussex County Municipal Utilities Authority the unpaid part of any Annual Charge so stated in such certificate. The Annual Charge, payable by the Township for each Fiscal Year, shall in all events be due and payable no later than February 1 immediately succeeding the close of such Fiscal Year, but current provision for an payment of such Annual Charges on an estimated basis shall be made by the Township in accordance with the foregoing Paragraphs of this Section. In the event that the amount of the Annual Charge made and charged by the Authority to and payable by the Township of Vernon for any Fiscal Year shall be less than the estimated amount of such Annual Charge stated in the certificate delivered in such Fiscal Year to it by the Sussex County Municipal Utilities Authority and paid by it to the Sussex County Municipal Utilities Authority, the Sussex County Municipal Utilities Authority will return the amount of the difference between said amounts of Annual Charges to the Township of Vernon on or before February 15 of the immediately succeeding Fiscal Year by credit against payments due to the Sussex County Municipal Utilities Authority. As described below, under the interlocal services agreement with the Township of Vernon, the Authority has agreed to provide for payment of bills for expenses under this service contract.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

(continued)

6. INTERLOCAL SERVICES AGREEMENTS - TOWNSHIP OF VERNON

A. PURCHASE OF UNITED WATER SEWER ASSETS/TOWNSHIP DEBT SERVICE

The Authority entered into an agreement (revised November 28, 2011) with the Township of Vernon regarding certain balances, payments, obligations, rights and debts between the parties as described below:

1. The Vernon Township Municipal Utilities Authority endorses Vernon Township's purchase of the sewer assets and customers belonging to the United Water at a purchase price of \$3,675,000.00.
2. The Vernon Township Municipal Utilities Authority endorses Vernon Township's Bond Ordinance 11-22 in the amount of \$4,000,000.00.
3. The Vernon Township Municipal Utilities Authority endorses Vernon Township's Bond Ordinance No. 11-23 in the amount of \$2,800,000.00.
4. Vernon Township will use the proceeds from Bond Ordinance 11-22 to close on the purchase of the United Water Sewer assets for the purchase price specified below. Any funds remaining as proceeds from Bond Ordinance 11-22 after the payment of the purchase price and the related appropriate transaction costs, will be deposited in the Vernon Township Municipal Utilities Authority account to be used in Vernon Township Municipal Utilities Authority's sole discretion.
5. In exchange for the conditions set forth in paragraph 4 and elsewhere in this Agreement, Vernon Township Municipal Utilities Authority agrees to be responsible for the debt service related to Bond Ordinance 11-22.
6. Vernon Township Municipal Utilities Authority agrees that the proceeds from Bond Ordinance No. 11-23 can be used to reimburse the municipality for the sewer utility expenses as set forth in paragraph 7. After reasonable closing and transaction costs, the remaining balance of Bond Ordinance No. 11-23 will be held by Vernon Township in escrow for the benefit of the Vernon Township Municipal Utilities Authority. These funds in escrow will be used to pay any deficiency in the Vernon Township Municipal Utilities Authority budget by making payment to Sussex County Municipal Utilities Authority. The parties agree that any payments by Vernon Township from these funds for Vernon Township Municipal Utilities Authority's benefit will be accounted for on the Vernon Township Municipal Utilities Authority budget and audit in the same manner as if Vernon Township Municipal Utilities Authority was directly in possession of these funds.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2021 AND 2020

(continued)

6. INTERLOCAL SERVICES AGREEMENTS - TOWNSHIP OF VERNON, (continued)

A. PURCHASE OF UNITED WATER SEWER ASSETS/TOWNSHIP DEBT SERVICE, (continued)

7. The Vernon Township Municipal Utilities Authority agrees that the following expenses paid by Vernon township may be deducted from the proceeds of 11-23 and paid to Vernon Township:

\$120,866.75 for the 2010 Sussex County Municipal Utilities Authority debt

\$697,052.00 for the 2011 Sussex County Municipal Utilities Authority debt

8. Vernon Township Municipal Utilities Authority will be responsible for the debt service payments for Bond Ordinance 11-23 to the extent that the proceeds are used as set forth in paragraphs 6 and 7.
9. Vernon Township has a balance in Ordinance 00-33 for sewer related expenses in the amount of \$449,930. Vernon Township Municipal Utilities Authority agrees that these funds may be used to pay the required down payment for Ordinance 11-22 and 11-23 totaling \$325,000. Vernon Township agrees to pay the balance of \$124,930 to the Vernon Township Municipal Utilities Authority.
10. Vernon Township has balances in special legislative grants in the amount of \$142,772.19 (#1153000) and \$214,767.97 (#11553100). These amounts shall be paid to the Vernon Township Municipal Utilities Authority for use for sewer related capital expenditures.
11. Vernon Township Municipal Utilities Authority agrees to provide for payment of sewer related expenses in its budget as billed from the Sussex County Municipal Utilities Authority beginning on January 1, 2012 subject to the contribution provision set forth in paragraph 6.
12. Vernon Township agrees to continue to be responsible for the payments required under the Vernon Bond as defined in the Vernon Township Mountain Creek Resort, Inc. Agreement dated October 24, 2005 and references in the Vernon Township MCRI Agreement dated July 18, 2012. Both Agreements provide that MCRI shall make the payments on the Vernon Bonds.
13. Vernon Township agrees to enforce the Agreement between Vernon Township and MCRI dated October 24, 2005 and forward all sewer related payments from MCRI to the Vernon Township Municipal Utilities Authority, except as referenced in paragraph 12.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

(continued)

6. INTERLOCAL SERVICES AGREEMENTS - TOWNSHIP OF VERNON, (continued)

B. FINANCIAL/ ADMINISTRATIVE SERVICES

The Authority has entered into an agreement with the Township of Vernon for the provision of financial and administrative services. Services to be provided under this agreement include the following:

- A. Maintain all accounting functions of the VTMUA
- B. Maintain a fixed assets accounting system and depreciation ledger
- C. Prepare Budget
- D. Sign all checks
- E. Reconcile monthly bank statements
- F. Manage all investments
- G. Manage of escrow accounts
- H. Prepare and send annual billing and quarterly delinquent notices
- I. Maintain an encumbrance purchasing system
- J. Maintain all vendor records
- K. Process all purchase orders and remit payments
- L. Processes incoming payments/ deposits on Edmunds system
- M. Prepares and makes daily deposits
- N. Maintains records and account files of Edmunds
- O. Provides customer service in person and on phone related to billing
- P. Quarterly Financial Reports to Board of Commissioners
- Q. Complete all tasks for Tax Sale for sewer fees including redemptions of liens
- R. Process mail and provide office space, computer resources and tools necessary to accomplish these tasks and others as assigned.

The Authority will be billed on a quarterly basis payable March 15th, June 15th, September 15th, and December 15th to the Township of Vernon. The term of the agreement is from January 1, 2020 through December 31, 2022.

C. ASSET MANAGEMENT PLAN

The Township of Vernon approved Ordinance number 18-16 providing for the improvement of the sanitary sewerage system by the development of an asset management plan in order to determine the need for, and the scope of, future capital projects. The Authority's expenses for this project will be reimbursed by the proceeds of an environmental infrastructure loan.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(continued)

7. DUE FROM/TO TOWNSHIP OF VERNON

As described in Note 6, the Authority has various balances due from/to the Township of Vernon under its interlocal service agreements. Activity for these accounts for the years ended December 31, 2021 and 2020 is shown below:

	<u>Balance</u> <u>Dec. 31, 2020</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Dec. 31, 2021</u>
Due to Township - Expense Reimbursement	\$(220,826)	\$	\$785	(\$220,041)
Due from Township (Asset Management Plan)	105,000		(99,278)	5,722
Due from Township (Lift Station Repairs)		200,000		200,000
Due to Township (Ord. #11-22)	(3,517,000)		49,000	(3,468,000)
Due to Township (Ord. #11-23)	(1,897,996)		179,680	(1,718,316)
Due to Township (Asset Management Plan)	(53,500)		49,028	(4,472)
Due to Township (Lift Station Repairs)		<u>(200,000)</u>	<u>57,470</u>	<u>(142,530)</u>
	<u>(\$5,584,322)</u>	<u>\$0</u>	<u>\$236,685</u>	<u>(\$5,347,637)</u>

	<u>Balance</u> <u>Dec. 31, 2019</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>Dec. 31, 2020</u>
Due to Township - Expense Reimbursement	\$(220,826)	\$	\$	(\$220,826)
Due from Township (Asset Management Plan)		105,000		105,000
Due to Township (Ord. #11-22)	(3,566,000)		49,000	(3,517,000)
Due to Township (Ord. #11-23)	(2,275,996)		378,000	(1,897,996)
Due from Township (Asset Management Plan)		<u>(105,000)</u>	<u>51,500</u>	<u>(53,500)</u>
	<u>(\$6,062,822)</u>	<u>\$0</u>	<u>\$478,500</u>	<u>(\$5,584,322)</u>

8. OTHER MATTERS

Deficit Agreement

Under the Vernon Township Mountain Creek Resort, Inc. Agreement dated October 24, 2005, Mountain Creek Resort, Inc. is responsible for 63% of any yearly budget deficit incurred by the Vernon Township Municipal Utilities Authority beginning on January 1, 2012. Under this agreement, Vernon Township shall send an annual notice to Mountain Creek Resort, Inc. containing the amount of the yearly budget deficit, the amount due from Mountain Creek Resort, Inc. and the accumulated debt owed to Vernon Township by Mountain Creek. Under the Agreement, any yearly budget surplus will reduce the accumulated debt described above. Beginning on January 1, 2017, and continuing each year thereafter for a period of 10 years thereafter, Mountain Creek Resort, Inc. shall make a payment to Vernon Township Municipal Utilities Authority in the amount of the accumulated deficit as amortized over a 10 year payback period. As of December 31, 2021, the amount due from Mountain Creek Resort, Inc. under the Deficit Agreement is \$953,583.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020

(continued)

8. OTHER MATTERS, (continued)

On May 15, 2017, Mountain Creek Resort, Inc. filed a voluntary petition for relief under Chapter 11 of the Bankruptcy Code. On November 13, 2017, both Vernon Township and the Vernon Township Municipal Utilities Authority filed a proof of claim that the sums due under the Sewer Agreement are secured by the assets of Mountain Creek, and on March 30, 2018 filed an adversary proceeding seeking a declaration that the Vernon Parties hold first priority liens on all of Mountain Creek's real property to secure the amounts due under the Sewer Agreement. This adversary proceeding was disputed by Mountain Creek. On June 5, 2018, the Court entered an order requiring the parties to attempt to settle the litigation through mediation. Both parties have since reached an agreement to resolve all claims arising from or relating to the Sewer Agreement.

On March 9, 2020 Governor Phil Murphy signed Executive Order No. 103 that declared a State of Emergency and Public Health Emergency across all 21 counties in New Jersey in response to address the novel coronavirus (COVID-19) outbreak. The Authority has identified several risks as a result of this pandemic, including a possible delay in collection of sewer rents and cash flow shortages as the result of these delayed collection. The Authority will continue to monitor the situation closely.

In 2022, management discovered multiple differences in the classification of properties between the Township of Vernon's tax roll and the Vernon Township Municipal Utilities Authority's billing records. The Authority is currently reviewing and correcting any misclassifications of rate payers' accounts. All adjustments will go into effect in the 2022 fiscal year. As of the date of this report, there are no billing adjustments planned for years prior to 2022.

9. COMMITMENTS AND CONTINGENT LIABILITIES

The Authority's general and special counsels advised us that there is no pending litigation that would have a material affect on the Authority's financial statements.

10. RISK MANAGEMENT

The Vernon Township Municipal Utilities Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Vernon Township Municipal Utilities Authority has obtained insurance coverage to guard against these events which will provide minimum exposure to the authority should they occur.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2021 AND 2020
(continued)

11. FRANCHISE

On November 4, 2011, the Township of Vernon adopted Ordinance No. 11-22 appropriating \$4,000,000 for the acquisition by purchase of sanitary sewerage collection and transmission facilities in and by the Township, including pipes, pumping stations and related facilities, appurtenances, property and equipment owned by United Water, a publicly owned utility company and its approximately 1,443 customers. In turn, by Interlocal Agreement with the Authority, the Authority will have use of the collection and transmission facilities purchased by the Township and will be able to bill current customers and add new customers.

12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through May 19, 2022, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

SUPPLEMENTAL INFORMATION

VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)
Supplementary Schedule of Revenues, Expenses and Changes in Net Position -
Restricted and Unrestricted
For the Years Ended December 31,

	Unrestricted	Net Investment in Capital Assets	Totals (Memo)	
			2021	2020
Operating Revenue:				
Sewer Charges	2,280,853		2,280,853	2,281,743
	2,280,853	-	2,280,853	2,281,743
Operating Expenses:				
Administration	290,295		290,295	370,332
Costs of Providing Services	2,299,106		2,299,106	2,038,181
Depreciation		8,979	8,979	8,980
	2,589,401	8,979	2,598,380	2,417,493
Operating Income/(Loss)	(308,548)	(8,979)	(317,527)	(135,750)
Non-Operating Revenue/(Expenses):				
Interest on Investments	2,837		2,837	3,902
Connection Fees	15,161		15,161	-
Prior Year Payables Cancelled	22,929		22,929	9,000
Other Income	79,938		79,938	73,269
Total Non-Operating Revenue/(Expenses)	120,865	-	120,865	86,171
Income/(Loss) Before Transfers and Contributions	(187,683)	(8,979)	(196,662)	(49,579)
Contributions	404,280		404,280	466,166
Increase (Decrease) in Net Position	216,597	(8,979)	207,618	416,587
Net Position - January 1	634,509	24,693	659,202	242,615
Net Position - December 31,	851,106	15,714	866,820	659,202

VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 (A Component Unit of The Township of Vernon)
 Schedule of Cash Receipts, Cash Disbursements and Changes in Cash,
 Cash Equivalents and Investments
 For the Year Ended December 31, 2021

	<u>Operating Account</u>	<u>Payroll Account</u>	<u>Escrow Account</u>	<u>Total</u>
CASH AND CASH EQUIVALENTS- JANUARY 1, 2021	804,894	127	6,126	811,147
<u>CASH RECEIPTS:</u>				
Sewer Charges	2,285,600			2,285,600
Connection Fees	15,161			15,161
Permits to Connect	2,300			2,300
Interest on Investments	2,831	3	3	2,837
Developer Contributions	591,425			591,425
Escrow Deposits			5,000	5,000
Township of Vernon	99,277			99,277
Other	77,638			77,638
Transfers	5,680	138,086		143,766
	3,079,912	138,089	5,003	3,223,004
<u>CASH DISBURSEMENTS:</u>				
Operations	2,762,067	138,148		2,900,215
Escrow Payments	5,680			5,680
Transfers	138,086		5,680	143,766
	2,905,833	138,148	5,680	3,049,661
CASH AND CASH EQUIVALENTS- DECEMBER 31, 2021	978,973	68	5,449	984,490
<u>ANALYSIS OF BALANCE:</u>				
Unrestricted	978,973	68	51	979,092
Restricted	-	-	5,398	5,398
	978,973	68	5,449	984,490
Cash and Cash Equivalents	978,973	68	5,449	984,490
Investments	-	-	-	-
	978,973	68	5,449	984,490

VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)
Supplementary Schedule of Operating Revenues and Appropriations -
Budget vs. Actual
For the Year Ended December 31, 2021
With Comparative Actual Amounts
For the Year Ended December 31, 2020

	2021 Budget	2021 Budget After Modification	2021 Actual	2020 Actual
Revenues:				
Net Position Utilized	\$ 87,434	87,434	87,434	
Sewer Charges	2,278,928	2,278,928	2,280,853	2,281,743
Connection Fees			15,161	
Permits to Connect			2,300	700
Interest on Investments			2,837	3,902
Interest on Delinquent Accounts			26,613	32,308
Contributions	404,280	404,280	404,280	466,166
Miscellaneous	50,000	50,000	51,025	40,261
Total Operating Revenues	\$ 2,820,642	2,820,642	2,870,503	2,825,080
Expenses:				
Administration:				
Salaries	\$ 65,000	65,000	49,318	65,974
Payroll Taxes	4,800	4,800	7,363	7,675
DCRP	2,200	2,200	2,821	2,424
Office Expenses	9,500	7,025	3,538	6,511
Advertising	800	800	372	381
Audit Fees	30,000	30,000	23,075	18,434
Engineering Fees	70,000	70,000	41,134	25,255
Insurance	21,000	21,000	18,554	18,462
Legal Fees	85,000	85,000	47,460	41,255
Postage and Printing	3,500	3,500	3,077	3,235
Professional Services	103,800	103,800	87,761	176,908
Other Expenses	5,000	7,475	5,822	3,818
Subtotal Administration	400,600	400,600	290,295	370,332
Cost of Providing Services:				
Personnel:				
Salaries	75,000	75,000	65,162	
Payroll Taxes	5,500	5,500	10,838	
DCRP	2,500	2,500	2,457	
Pumping Expenses:				
Electric	16,000	16,000	12,116	12,155
Telephone for Alarms	12,000	11,000	2,395	2,395
Fuel	1,000	1,000		652
Emergency Repairs	25,000	25,000	16,734	12,927
Miscellaneous Supplies/Expenses	5,000	6,000	6,867	5,019
Treatment and Disposal:				
SCMUA - Treatment Charges	1,968,042	1,968,042	2,001,388	1,828,606
Interest on Notes	50,000	50,000	45,799	136,586
Maintenance of Pumping System	60,000	60,000	34,468	20,591
Subtotal Cost of Providing Services	2,220,042	2,220,042	2,198,224	2,018,931

VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)
Supplementary Schedule of Operating Revenues and Appropriations -
Budget vs. Actual
For the Year Ended December 31, 2021
With Comparative Actual Amounts
For the Year Ended December 31, 2020

	2021 Budget	2021 Budget After Modification	2021 Actual	2020 Actual
Capital Improvements	200,000	200,000	100,882	19,250
Total Costs Funded by Operating Revenues	\$ 2,820,642	2,820,642	2,589,401	2,408,513
Excess or (Deficit) in Actual Revenues and Expenses	-	-	281,102	416,567
Reconciliation of Budgetary Basis				
To Change in Net Position:				
Non-Operating Income - Prior Payables Cancelled			22,929	9,000
Net Position Utilized			(87,434)	
Depreciation			(8,979)	(8,980)
Change in Net Position			207,618	416,587

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

MEMBERS OF THE AUTHORITY

DECEMBER 31, 2021

<u>Official</u>	<u>Position</u>
Michael Furrey	Chairman
Paul Kearney	Vice-Chairperson
David McDermott	Commissioner
Kristin G. Wheaton	Commissioner
Andrew Pitsker	Commissioner
Harry Shortway	Alternate #1
Scott Galway	Alternate #2

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY

PART II

**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

COMMENTS AND RECOMMENDATIONS

YEAR ENDED DECEMBER 31, 2021



WIELKOTZ & COMPANY LLC

CERTIFIED PUBLIC ACCOUNTANTS

Steven D. Wielkocz, CPA, RMA, PSA
Matthew B. Wielkocz, CPA, PSA
Paul J. Cuva, CPA, RMA, PSA
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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED
IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members of the
Vernon Township Municipal Utilities Authority
21 Church Street
Vernon, NJ 07462

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Vernon Township Municipal Utilities Authority (A Component Unit of the Township of Vernon), as of and for the year ended December 31, 2021, and the related notes to the financial statements, and have issued our report thereon dated May 19, 2022.

Internal Control Over Financial Reporting

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

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



Honorable Chairman and Members of the
Vernon Township Municipal Utilities Authority
Page 2.

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.

Compliance and Other Matters

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

Purpose of this Report

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

Wielkocz & Company, LLC

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

May 19, 2022



THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

GENERAL COMMENTS

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

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

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. “When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations.” If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$44,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

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

Effective July 1, 2020, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the threshold may be up to \$44,000.

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

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

GENERAL COMMENTS
(continued)

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

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" N.J.S. 40A:11-5.

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

The results of our examination indicated that no individual payments, contracts, or agreements were made "for the performance of any work or the furnishing or hiring of any materials or supplies," in excess of the statutory thresholds where there had been no advertising for bids in accordance with the provision of N.J.S.A. 40A:11-4.

THE VERNON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Vernon)

STATUS OF PRIOR YEAR AUDIT FINDINGS/RECOMMENDATIONS

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

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

We would like to express our gratitude to the management and staff of the Authority for their assistance extended to us throughout the audit.

Very truly yours,

Wielkotz & Company, LLC

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