

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

FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 2023 AND 2022

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, 2023 and 2022, and the related statements of revenues, expenses, and changes in net position and cash flows for the years then ended, and the related notes to the financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Vernon Township Municipal Utilities Authority as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the 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 expected 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.

Supplementary 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 16, 2024 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Vernon Township Municipal Utilities Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the 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 16, 2024



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, 2023 and 2022. 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 \$1,663,593 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$1,455,795.
- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$-0- 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 \$1,663,593 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 \$1,663,593. A summary of the Authority's statement of net position is presented in the following table:

Condensed Statement of Net Position at December 31, 2023
With Comparative Prior Year Balances

	<u>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Other Assets	6,575,173	6,583,455	(8,282)	(0.13)%
Capital Assets (Net)	<u> </u>	<u>6,735</u>	<u>(6,735)</u>	(100.00)%
Total Assets	<u>6,575,173</u>	<u>6,590,190</u>	<u>(15,017)</u>	(0.23)%
Other Liabilities	<u>4,911,580</u>	<u>5,134,395</u>	<u>(222,815)</u>	(4.34)%
Total Liabilities	<u>4,911,580</u>	<u>5,134,395</u>	<u>(222,815)</u>	(4.34)%
Net Position:				
Net Investment in Capital Assets		6,735	(6,735)	(100.00)%
Unrestricted	<u>1,663,593</u>	<u>1,449,060</u>	<u>214,533</u>	14.81%
Total Net Position	<u>1,663,593</u>	<u>1,455,795</u>	<u>207,798</u>	<u>14.27%</u>

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 2022 year end was \$1,455,795. This is a \$365,975 increase over FY 2021 net position (restated) of \$1,089,820. A summary of the Authority's statement of net position is presented in the following table:

	<u>2022</u>	<u>2021</u> <u>(Restated)</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Current and Other Assets	6,583,455	6,450,273	133,182	2.06%
Capital Assets (Net)	<u>6,735</u>	<u>15,714</u>	<u>(8,979)</u>	(57.14)%
Total Assets	<u>6,590,190</u>	<u>6,465,987</u>	<u>124,203</u>	1.92%
Other Liabilities	<u>5,134,395</u>	<u>5,376,167</u>	<u>(241,772)</u>	(4.50)%
Total Liabilities	<u>5,134,395</u>	<u>5,376,167</u>	<u>(241,772)</u>	(4.50)%
Net Position:				
Net Investment in Capital Assets	6,735	15,714	(8,979)	(57.14)%
Unrestricted	<u>1,449,060</u>	<u>1,074,106</u>	<u>374,954</u>	34.91%
Total Net Position	<u>1,455,795</u>	<u>1,089,820</u>	<u>365,975</u>	33.58%

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 \$207,798.

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>2023</u>	<u>2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	2,528,947	2,395,654	133,293	5.56%
Non-Operating Revenues	<u>172,330</u>	<u>108,721</u>	<u>63,609</u>	58.51%
Total Revenues	<u>2,701,277</u>	<u>2,504,375</u>	<u>196,902</u>	7.86%
Operating Expense	<u>3,153,098</u>	<u>2,525,796</u>	<u>627,302</u>	24.84%
Total Expenses	<u>3,153,098</u>	<u>2,525,796</u>	<u>627,302</u>	24.84%
Contributions	<u>659,619</u>	<u>387,396</u>	<u>272,223</u>	70.27%
Change in Net Position	207,798	365,975	(158,177)	(43.22)%
Beginning Net Position	<u>1,455,795</u>	<u>1,089,820</u>	<u>365,975</u>	33.58%
Ending Net Position	<u>1,663,593</u>	<u>1,455,795</u>	<u>207,798</u>	14.27%

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 increased by \$133,293 to \$2,528,947 in 2023 from \$2,395,564 in 2022. Non-operating revenues increased by \$63,609 to \$172,330 primarily due to increases in interest earned on deposited funds and interest on delinquent accounts.

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>2022</u>	<u>2021</u> <u>(Restated)</u>	<u>Dollar</u> <u>Change</u>	<u>Percent</u> <u>Change</u>
Operating Revenues	2,395,654	2,280,853	114,801	5.03%
Non-Operating Revenues	<u>108,721</u>	<u>120,865</u>	<u>(12,144)</u>	(10.05)%
Total Revenues	<u>2,504,375</u>	<u>2,401,718</u>	<u>102,657</u>	4.27%
Operating Expense	2,525,796	2,598,380	(72,584)	(2.79)%
Total Expenses	<u>2,525,796</u>	<u>2,598,380</u>	<u>(72,584)</u>	(2.79)%
Contributions	<u>387,396</u>	<u>404,280</u>	<u>(16,884)</u>	(4.18)%
Change in Net Position	365,975	207,618	158,357	76.27%
Beginning Net Position	<u>1,089,820</u>	<u>882,202</u>	<u>207,618</u>	23.53%
Ending Net Position	<u>1,455,795</u>	<u>1,089,820</u>	<u>365,975</u>	33.58%

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 2023 and 2022 budget comparison:

Budget vs. Actual
FY 2023

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	3,405,677	3,536,713	131,036
Expenses:			
Operating	<u>3,405,677</u>	<u>3,227,488</u>	<u>178,189</u>
Income Before Depreciation	<u>0</u>	<u>309,225</u>	<u>309,225</u>

Budget vs. Actual
FY 2022

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	2,874,967	2,975,999	101,032
Expenses:			
Operating	<u>2,874,967</u>	<u>2,597,942</u>	<u>277,025</u>
Income Before Depreciation	<u>0</u>	<u>378,057</u>	<u>378,057</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 2023, the Authority had invested \$44,898 in capital assets. The Authority's net plant and equipment at fiscal year-end was \$-0-. This is a \$6,735 decrease under last year's net plant, property and equipment of \$6,735. A summary of the Authority's capital assets is presented in the following table:

	<u>FY 2023</u>	<u>FY 2022</u>	<u>Dollar Change</u>	<u>FY 2021</u>
Vehicles	44,898	44,898	-0-	44,898
Total Capital Assets	44,898	44,898	_____	44,898
Less: Accumulated Depreciation	(44,898)	(38,163)	(6,735)	(29,184)
Net Capital Assets	<u>0</u>	<u>6,735</u>	<u>(6,735)</u>	<u>15,714</u>

Debt Administration

At December 31, 2023, 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 \$4,803,977. 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 Wallkill 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)

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,

	2023	2022
ASSETS:		
Current Assets:		
Unrestricted:		
Cash and cash equivalents	\$ 811,799	\$ 1,332,878
Investment in Township BAN	600,000	
Consumer Accounts Receivable	370,913	270,995
Due From Township of Vernon	205,722	205,722
Total Unrestricted Assets	1,988,434	1,809,595
Restricted:		
Cash and cash equivalents	7,398	7,398
Total Restricted Assets	7,398	7,398
Noncurrent Assets:		
Capital Assets Being Depreciated:		
Vehicles	44,898	44,898
Accumulated Depreciation	(44,898)	(38,163)
Total Capital Assets	-	6,735
Other Assets:		
Due From Developer - Deficit Agreement	579,341	766,462
Franchise	4,000,000	4,000,000
Total Other Assets	4,579,341	4,766,462
TOTAL ASSETS	6,575,173	6,590,190

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,

	2023	2022
LIABILITIES:		
Current Liabilities:		
Payable from Unrestricted Assets:		
Accounts Payable	\$ 100,483	\$ 51,504
Accrued Liabilities		10,669
Due to Township of Vernon	362,633	362,633
Total Payable from Unrestricted Assets	463,116	424,806
Payable from Restricted Assets:		
Escrow Deposits Payable	7,398	7,398
Total Payable from Restricted Assets	7,398	7,398
Total Current Liabilities	470,514	432,204
Non-Current Liabilities:		
Due to Township of Vernon-Debt Service	4,441,066	4,702,191
Total Non-Current Liabilities	4,441,066	4,702,191
TOTAL LIABILITIES	4,911,580	5,134,395
NET POSITION:		
Net Investment in Capital Assets		6,735
Unrestricted:		
Designated	200,000	
Undesignated	1,463,593	1,449,060
	\$ 1,663,593	\$ 1,455,795

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>2023</u>	<u>2022</u>
Operating Revenues:		
Sewer Charges	\$ 2,528,947	\$ 2,395,654
Total Operating Revenue	<u>2,528,947</u>	<u>2,395,654</u>
Operating Expenses:		
Administration	241,936	279,341
Costs of Providing Services	2,904,427	2,237,476
Depreciation	<u>6,735</u>	<u>8,979</u>
Total Operating Expenses	<u>3,153,098</u>	<u>2,525,796</u>
Operating Income (Loss)	(624,151)	(130,142)
Non-Operating Revenues (Expenses):		
Interest on Investments	75,006	16,857
Connection Fees		1,749
Prior Year Payables Canceled	13,177	805
Other Income	<u>84,147</u>	<u>89,310</u>
Net Non-Operating Income (Expenses)	<u>172,330</u>	<u>108,721</u>
Income/(Loss) Before Contributions	(451,821)	(21,421)
Contributions	<u>659,619</u>	<u>387,396</u>
Change in Net Position	207,798	365,975
Net Position, January 1,	<u>1,455,795</u>	<u>1,089,820</u>
Net Position, December 31,	<u>\$ 1,663,593</u>	<u>\$ 1,455,795</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>2023</u>		<u>2022</u>
Cash Flows from Operating Activities:			
Cash Received from Customers	\$ 2,429,029	\$	2,432,886
Cash Received from Developers	846,740		574,517
Interest Received	75,006		16,857
Other Operating Receipts	84,147		89,310
Cash Paid to Employees	(101,346)		(89,606)
Cash Paid for Employee Benefits	(15,435)		(15,517)
Cash Paid to Suppliers	(2,978,095)		(2,387,126)
Net cash provided (used) by operating activities	<u>340,046</u>		<u>621,321</u>
Cash Flows from Non-Capital Financing Activities:			
Repayments to Township of Vernon	<u>(261,125)</u>		<u>(265,535)</u>
Net cash provided (used) by non-capital financing activities	<u>(261,125)</u>		<u>(265,535)</u>
Cash Flows from Investing Financing Activities:			
Purchases of Investments	<u>(600,000)</u>		
Net cash provided (used) by investing activities	<u>(600,000)</u>		<u>-</u>
Net increase / (decrease) in cash and cash equivalents	(521,079)		355,786
Cash and cash equivalents, Beginning of Year	<u>1,340,276</u>		<u>984,490</u>
Cash and cash equivalents, End of Year	\$ <u>819,197</u>	\$	<u>1,340,276</u>
Classified As:			
Unrestricted Cash and Cash Equivalents	\$ 811,799	\$	1,332,878
Restricted Cash and Cash Equivalents	<u>7,398</u>		<u>7,398</u>
	\$ <u>819,197</u>	\$	<u>1,340,276</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>2023</u>		<u>2022</u>
Reconciliation of Operating Income to Net Cash			
Provided (Used) by Operating Activities:			
Operating Income / (Loss)	\$ (624,151)	\$	(130,142)
Adjustments to reconcile operating income / (loss) to net cash provided by operating activities:			
Depreciation	6,735		8,979
Connection Fees			1,749
Other Operating Receipts	84,147		89,310
Interest Income	75,006		16,857
Developer Contributions	846,740		574,517
Prior Year Payables Cancelled	13,177		805
Changes in operating assets and liabilities:			
(Increase) Decrease in consumer accounts receivable	(99,918)		35,483
Increase (Decrease) in accounts payable	48,979		11,094
Increase (Decrease) in accrued liabilities	(10,669)		10,669
Increase (Decrease) in escrow deposits			2,000
Net cash provided (used) by operating activities	\$ <u>340,046</u>	\$	<u>621,321</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, 2023 AND 2022

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, 2023 AND 2022
(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 petty cash, change funds and cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost, which approximates market. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(continued)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

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

Cash and Cash Equivalents, (continued)

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

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

Additionally, the 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.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(continued)

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

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

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, 2023.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(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, 2023.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES, (continued)

D. RECENT ACCOUNTING PRONOUNCEMENTS, (continued)

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

In December 2023, the Government Accounting Standards Board issued GASB Statement No. 102, Certain Risk Disclosures. This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024, and all reporting periods thereafter. The Commission is determining what effects, if any, this pronouncement will have on future financial statements.

3. CASH AND CASH EQUIVALENTS

Custodial Credit Risk - Deposits. Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits may not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA.

As of December 31, 2023 and 2022, the Authority's bank balances were exposed to custodial credit risk as follows:

	<u>2023</u>	<u>2022</u>
Insured by F.D.I.C.	\$250,000	\$250,000
Insured by GUDPA	<u>520,862</u>	<u>1,045,824</u>
Total Bank Balance	<u>\$770,862</u>	<u>\$1,295,824</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(continued)

4. INVESTMENTS

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

Custodial Credit Risk – For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured, are not registered in the name of the Authority, and are held by either the counterparty or the counterparty’s trust department or agent but not in the Authority’s name. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy to limit its exposure to custodial credit risk.

Concentration of Credit Risk – Concentration of credit risk is the risk of loss attributed to the magnitude of a government’s investment in a single issuer. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority’s investment policies place no limit on the amount the Authority may invest in any one issuer. For the fiscal year ended December 31, 2023, more than 5.0% of the Authority’s investments were held with the Township of Vernon (100.00%).

As of December 31, 2023 the Authority had the following investments:

<u>Investment</u>	<u>Maturities</u>	<u>Fair Value</u>
Township of Vernon Bond Anticipation Note	8/23/24	<u>\$600,000</u>
		<u>\$600,000</u>

As of December 31, 2022 the Authority had no investments.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(continued)

4. INVESTMENTS, (continued)

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

Credit Risk – Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As stated in Note 2, investments are purchased in accordance with N.J.S.A. 40A:5-15.1. Other than the rules and regulations promulgated by N.J.S.A. 40A:5-15.1, the Authority has no investment policy that would further limit its exposure to credit risk.

5. PROPERTY, PLANT AND EQUIPMENT

A detail of the Authority's property, plant and equipment activity for the years ended December 31, 2023 and 2022 is as follows:

	<u>Balance</u> <u>Dec. 31, 2022</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>Dec. 31, 2023</u>
Capital Assets Being Depreciated:				
Vehicles	<u>\$44,898</u>	<u>\$</u>	<u>\$ -0-</u>	<u>\$44,898</u>
Total Capital Assets Being Depreciated	44,898	0	-0-	44,898
Less:				
Accumulated Depreciation	<u>(38,163)</u>	<u>(6,735)</u>	<u>-0-</u>	<u>(44,898)</u>
Total Capital Assets Being Depreciated (Net)	<u>6,735</u>	<u>(6,735)</u>	<u>-0-</u>	<u>0</u>
	<u>\$6,735</u>	<u>(\$6,735)</u>	<u>\$ -0-</u>	<u>\$0</u>
	<u>Balance</u> <u>Dec. 31, 2021</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>Dec. 31, 2022</u>
Capital Assets Being Depreciated:				
Vehicles	<u>\$44,898</u>	<u>\$</u>	<u>\$ -0-</u>	<u>\$44,898</u>
Total Capital Assets Being Depreciated	44,898	0	-0-	44,898
Less:				
Accumulated Depreciation	<u>(29,184)</u>	<u>(8,979)</u>	<u>-0-</u>	<u>(38,163)</u>
Total Capital Assets Being Depreciated (Net)	<u>15,714</u>	<u>(8,979)</u>	<u>-0-</u>	<u>6,735</u>
	<u>\$15,714</u>	<u>(\$8,979)</u>	<u>\$ -0-</u>	<u>\$6,735</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(continued)

6. 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 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 Township 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.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(continued)

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

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.

7. 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.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(continued)

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

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

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.
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.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(continued)

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

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

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.

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

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(continued)

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

B. FINANCIAL/ ADMINISTRATIVE SERVICES, (continued)

- 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, 2023 through December 31, 2025.

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.

8. 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, 2023 and 2022 is shown below:

	Balance <u>Dec. 31, 2022</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>Dec. 31, 2023</u>
Due to Township - Expense Reimbursement	\$(220,041)	\$	\$	(\$220,041)
Due from Township (Asset Management Plan)	5,722			5,722
Due from Township (Lift Station Repairs)	200,000			200,000
Due to Township (Ord. #11-22)	(3,163,875)		81,125	(3,082,750)
Due to Township (Ord. #11-23)	(1,538,316)		180,000	(1,358,316)
Due to Township (Asset Management Plan)	(62)			(62)
Due to Township (Lift Station Repairs)	<u>(142,530)</u>			<u>(142,530)</u>
	<u>(\$4,859,102)</u>	<u>\$0</u>	<u>\$261,125</u>	<u>(\$4,597,977)</u>

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(continued)

8. DUE FROM/TO TOWNSHIP OF VERNON, (continued)

	Balance Dec. 31, 2021	<u>Increases</u>	<u>Decreases</u>	Balance Dec. 31, 2022
Due to Township - Expense Reimbursement	\$(220,041)	\$	\$	(\$220,041)
Due from Township (Asset Management Plan)	5,722			5,722
Due from Township (Lift Station Repairs)	200,000			200,000
Due to Township (Ord. #11-22)	(3,245,000)		81,125	(3,163,875)
Due to Township (Ord. #11-23)	(1,718,316)		180,000	(1,538,316)
Due from Township (Asset Management Plan)	(4,472)		4,410	(62)
Due to Township (Lift Station Repairs)	<u>(142,530)</u>			<u>(142,530)</u>
	<u>(\$5,124,637)</u>	<u>\$0</u>	<u>\$265,535</u>	<u>(\$4,859,102)</u>

9. 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, 2023, the amount due from Mountain Creek Resort, Inc. under the Deficit Agreement is \$579,341.

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.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(continued)

10. 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.

11. 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.

12. 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.

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

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED DECEMBER 31, 2023 AND 2022
(continued)

13. RELATED PARTY TRANSACTION

In August 2023, the Authority purchased an investment in bond anticipation notes (Ordinance #11-23) of the Township of Vernon, of which it is a component unit. The amount of the investment is \$600,000. The Authority is responsible for the debt service on these notes under the interlocal agreement with the Township of Vernon. These notes have a maturity date of August 23, 2024 and have an interest rate of 0.00%. The market rate of interest on the Township of Vernon's bond anticipation notes is 4.25%.

14. DESIGNATION OF UNRESTRICTED NET POSITION

The Authority's Operating Accounts maintain funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board as follows:

	<u>2023</u>	<u>2022</u>
Designated for Capital Reserve	<u>\$200,000</u>	<u>\$ -0-</u>
	<u>\$200,000</u>	<u>\$0</u>

At December 31, 2023, the Authority reported a total amount of \$200,000 of Unrestricted Net Position – Designated for the purposes describe above.

The remaining undesignated portion of the Authority's net position was comprised of the following at May 31, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Available for Use in Future Budgets	<u>\$1,463,593</u>	<u>\$1,449,060</u>
Total	<u>\$1,463,593</u>	<u>\$1,449,060</u>

15. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through May 16, 2024, the date which the financial statements were available to be issued and no additional items were noted for disclosure or adjustment.

Supplementary Schedules

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)	
			2023	2022
Operating Revenue:				
Sewer Charges	2,528,947		2,528,947	2,395,654
	<u>2,528,947</u>	-	<u>2,528,947</u>	<u>2,395,654</u>
Operating Expenses:				
Administration	241,936		241,936	279,341
Costs of Providing Services	2,904,427		2,904,427	2,237,476
Depreciation		6,735	6,735	8,979
	<u>3,146,363</u>	<u>6,735</u>	<u>3,153,098</u>	<u>2,525,796</u>
Operating Income/(Loss)	(617,416)	(6,735)	(624,151)	(130,142)
Non-Operating Revenue/(Expenses):				
Interest on Investments	75,006		75,006	16,857
Connection Fees			-	1,749
Prior Year Payables Canceled	13,177		13,177	805
Other Income	84,147		84,147	89,310
	<u>172,330</u>	-	<u>172,330</u>	<u>108,721</u>
Income/(Loss) Before Transfers and Contributions	(445,086)	(6,735)	(451,821)	(21,421)
Contributions	659,619		659,619	387,396
Increase (Decrease) in Net Position	214,533	(6,735)	207,798	365,975
Net Position - January 1,	<u>1,449,060</u>	<u>6,735</u>	<u>1,455,795</u>	<u>1,089,820</u>
Net Position - December 31,	<u><u>1,663,593</u></u>	<u><u>-</u></u>	<u><u>1,663,593</u></u>	<u><u>1,455,795</u></u>
Analysis:				
Designated:				
Capital Reserve	200,000			
Undesignated	<u>1,463,593</u>			
	<u><u>1,663,593</u></u>			

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, 2023

	<u>Operating Account</u>	<u>Payroll Account</u>	<u>Escrow Account</u>	<u>Total</u>
CASH AND CASH EQUIVALENTS- JANUARY 1, 2023	<u>1,332,747</u>	<u>78</u>	<u>7,451</u>	<u>1,340,276</u>
<u>CASH RECEIPTS:</u>				
Sewer Charges	2,429,029			2,429,029
Connection Fees				-
Permits to Connect	1,400			1,400
Interest on Investments	74,974	30	2	75,006
Developer Contributions	659,619			659,619
Escrow Deposits				-
Other	33,035			33,035
Transfers		117,032		117,032
	<u>3,198,057</u>	<u>117,062</u>	<u>2</u>	<u>3,315,121</u>
<u>CASH DISBURSEMENTS:</u>				
Operations	3,002,136	117,032		3,119,168
Investment in Township BAN	600,000			600,000
Transfers	117,032			117,032
	<u>3,719,168</u>	<u>117,032</u>	<u>-</u>	<u>3,836,200</u>
CASH AND CASH EQUIVALENTS- DECEMBER 31, 2023	<u><u>811,636</u></u>	<u><u>108</u></u>	<u><u>7,453</u></u>	<u><u>819,197</u></u>
<u>ANALYSIS OF BALANCE:</u>				
Unrestricted	811,636	108	55	811,799
Restricted	-	-	7,398	7,398
	<u>811,636</u>	<u>108</u>	<u>7,453</u>	<u>819,197</u>
Cash and Cash Equivalents	811,636	108	7,453	819,197
Investments	-	-	-	-
	<u><u>811,636</u></u>	<u><u>108</u></u>	<u><u>7,453</u></u>	<u><u>819,197</u></u>

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, 2023
With Comparative Actual Amounts
For the Year Ended December 31, 2022

	2023 Budget	2023 Budget After Modification	2023 Actual	2022 Actual
Revenues:				
Net Position Utilized	\$ 188,994	188,994	188,994	85,033
Sewer Charges	2,477,064	2,477,064	2,528,947	2,395,654
Connection Fees	5,000	5,000		1,749
Permits to Connect			1,400	2,400
Interest on Investments	25,000	25,000	75,006	16,857
Interest on Delinquent Accounts			32,487	26,630
Contributions	659,619	659,619	659,619	387,396
Miscellaneous	50,000	50,000	50,260	60,280
Total Operating Revenues	\$ 3,405,677	3,405,677	3,536,713	2,975,999
Expenses:				
Administration:				
Salaries	\$ 40,000	40,000	37,492	36,400
Payroll Taxes	5,500	5,500	4,921	4,934
DCRP	1,700	1,700	1,474	1,474
Office Expenses	9,500	9,500	4,473	4,334
Advertising	500	500	480	298
Audit Fees	25,000	25,000	18,223	19,631
Engineering Fees	30,000	30,000	14,115	48,935
Insurance	25,000	25,000	21,044	19,853
Legal Fees	50,000	50,000	32,669	32,946
Postage and Printing	3,000	5,000	3,875	3,434
Professional Services	107,600	107,600	100,442	103,949
Other Expenses	5,000	5,000	2,728	3,153
Subtotal Administration	302,800	304,800	241,936	279,341
Cost of Providing Services:				
Personnel:				
Salaries	78,000	78,000	63,854	53,206
Payroll Taxes	10,000	10,000	8,030	7,133
DCRP	3,500	3,500	1,010	1,976
Pumping Expenses:				
Electric	14,500	14,500	14,569	14,602
Telephone for Alarms	7,000	7,000	2,395	2,395
Fuel	1,500	1,500		
Emergency Repairs	50,000	50,000	44,223	18,686
Miscellaneous Supplies/Expenses	6,000	4,000	1,882	1,190
Treatment and Disposal:				
SCMUA - Treatment Charges	2,642,252	2,642,252	2,633,139	2,000,243
Interest on Notes	49,000	49,000	48,104	42,629
Vernon Township Sewer	81,125	81,125	81,125	81,125
Maintenance of Pumping System	60,000	60,000	18,909	27,918
Subtotal Cost of Providing Services	3,002,877	3,000,877	2,917,240	2,251,103

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, 2023
 With Comparative Actual Amounts
 For the Year Ended December 31, 2022

	<u>2023</u> <u>Budget</u>	<u>2023</u> <u>Budget After</u> <u>Modification</u>	<u>2023</u> <u>Actual</u>	<u>2022</u> <u>Actual</u>
Capital Improvements	100,000	100,000	68,312	67,498
Total Costs Funded by Operating Revenues	\$ 3,405,677	3,405,677	3,227,488	2,597,942
Excess or (Deficit) in Actual Revenues and Expenses	<u>-</u>	<u>-</u>	<u>309,225</u>	<u>378,057</u>
Reconciliation of Budgetary Basis				
To Change in Net Position:				
Non-Operating Income - Prior Payables Canceled			13,177	805
Township Bond Principal			81,125	81,125
Net Position Utilized			(188,994)	(85,033)
Depreciation			<u>(6,735)</u>	<u>(8,979)</u>
Change in Net Position			<u>207,798</u>	<u>365,975</u>

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

MEMBERS OF THE AUTHORITY

DECEMBER 31, 2023

<u>Official</u>	<u>Position</u>
Paul Kearney	Chairman
Kristin G. Wheaton	Vice-Chairperson
David McDermott	Commissioner
Edward DeYoung	Commissioner
Edward Snook	Commissioner
Patrick Rizzuto	Alternate #1
Mark R. Bower	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, 2023



WIELKOTZ & COMPANY LLC
CERTIFIED PUBLIC ACCOUNTANTS

STEVEN D. WIELKOTZ, CPA, RMA, PSA
MATTHEW B. WIELKOTZ, 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, 2023, and the related notes to the financial statements, and have issued our report thereon dated May 16, 2024.

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) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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 or significant deficiencies 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 16, 2024



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,

Wielkocz & Company, LLC

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