

MORRIS COUNTY MUNICIPAL
UTILITIES AUTHORITY
COUNTY OF MORRIS
FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
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INTRODUCTORY SECTION



April 26, 2024

The Honorable Chairman and Members
of the Morris County Municipal Utilities Authority
Randolph, NJ

Dear Authority Members:

The annual financial report of the Morris County Municipal Utilities Authority (the "Authority") for the year ended December 31, 2023, is hereby submitted. Responsibility for both the accuracy of the data and completeness and fairness of the presentation, including all disclosures, rests with the management of the Authority. To the best of our knowledge and belief, the data presented in this report is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the Authority. All disclosures necessary to enable the reader to gain an understanding of the Authority's financial activities have been included.

The annual financial report is presented in four sections: introductory, financial, single audit and comments and recommendations. The introductory section includes this transmittal letter, the Authority's organizational chart and a list of principal officials. The financial section includes the financial statements as well as the auditors' report thereon. The Authority may be required to undergo a single audit in conformity with the provisions of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Information related to the single audit, including the auditors' report on internal control and compliance with applicable laws and regulations and findings and recommendations, are included in the single audit section of this report.

REPORTING ENTITY AND ITS SERVICES:

The Authority was created in 1958 as a public body corporate and politic of the State of New Jersey by the Board of Commissioners of the County of Morris pursuant to N.J.S.A. 40:14B-1 et seq. The Authority was established to protect the County water supply and prevent further diversion to areas outside the County. In 2022, the Authority used two well field sites (Alamatong and Flanders Valley). The Authority supplies water to the Townships of Randolph, Roxbury, Denville, Jefferson, Parsippany-Troy Hills and Mine Hill, Boroughs of Mount Arlington and Wharton, the Southeast Morris County M.U.A., and the New Jersey American Water Company. The Authority provides reliable high quality supplies of potable water used for drinking, irrigation, fire protection and other purposes. The Frank J. Markewicz pump facility, located in Randolph Township, is the primary operating and monitoring facility for the water operations.

On September 23, 1987, the Board of Commissioners of the County of Morris designated the Authority as the agency to design and construct a solid waste system, including transfer stations, solid waste disposal facilities and other facilities for the collection, treatment and disposal of solid waste. This is to be accomplished in accordance with the solid waste management plan of Morris County, as amended from time to time.

The Honorable Chairman and Members
 Of the Morris County Municipal Utilities Authority
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 April 26, 2024

REPORTING ENTITY AND ITS SERVICES: (Cont'd)

Trash transfer facilities are located in Parsippany Troy-Hills and Mount Olive Townships. These facilities, located in the east and west portions of the county, process and stage all trash from Morris County for transport to landfills located outside of New Jersey, primarily Pennsylvania. The Authority also provides pickup services to municipalities and commercial entities for recyclable materials, e.g. paper of various types, as well as plastic, metal and glass containers. The Authority also provides vegetative waste processing at sites in Parsippany Troy-Hills and Mount Olive Townships. These sites accept from various sources - trees, branches, grass, leaves, and process these materials into mulch and compost. The end products are sold to county residents and landscapers. The Authority also operates a household hazardous waste collection facility located at the Mount Olive transfer station. This facility accepts hazardous waste from residents and eligible businesses and ships it for processing to various companies. Lastly, the Authority also provides recycling educational programs aimed at schools and the business communities.

The Authority is a legally separate organization, whose members are appointed by the Board of Commissioners. Financial transactions are processed and accounted for by the Authority's financial administration. The Authority should be considered a component unit of the County of Morris under the provisions of Governmental Accounting Standards Board Codification Section 2100 "Defining the Financial Reporting Entity".

General Trends and Significant Events

Water Division

- Completed tank exterior cleaning and interior washout inspections at Dover-Chester and Markewicz #1 & #2.
- Completed construction of the Well #7 Pole Barn.
- Completed the Flanders Valley #1 and #2 Motor Control Center electrical improvements.
- Initiated preliminary feasibility evaluations for the treatment and removal of PFAS.
- Finalized the sale of the Mendham pipeline to NJAW.

Solid Waste Division

- Annual tonnage at transfer stations continued at historically high levels.
- Completed restoration of the Mt. Olive transfer station tip floor.
- 5 year indexed-based single stream recycling contract in place.
- Single Stream recycling costs stabilized in 2023.
- Received draft permit for expanding Par-Troy transfer station capacity to 1,978 tons per day.
- Replaced Mt. Olive compost office trailer.
- Initiated the Motor Control Center electrical replacement at the Parsippany transfer station.
- Continued work towards long term facility maintenance at both transfer stations.

During 2023, the Authority experienced the following:

- Continued and expanded use of public contracting opportunities (Co-ops simplifying procurement process).
- Continued managerial level training to foster long term employee development.

The Honorable Chairman and Members
 Of the Morris County Municipal Utilities Authority
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 April 26, 2024

CASH MANAGEMENT: The investment policy of the Authority is guided in large part by state statute as detailed in "Notes to the Financial Statements", Note 5. 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 ("GUDPA"). GUDPA was enacted in 1970 to protect Governmental Units from a loss of funds on deposit with a failed banking institution in New Jersey. The law requires governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

RISK MANAGEMENT: The Authority carries various forms of insurance, including but not limited to general liability, excess liability, automobile liability and comprehensive/collision, hazard and theft insurance on property, contents, and fidelity bonds which are covered under the Morris County Insurance Fund and described in the "Notes to Financial Statements", Note 8.

OTHER INFORMATION:

Independent Audit - State statutes require an annual audit by independent certified public accountants or registered municipal accountants. The accounting firm of Nisivoccia LLP, CPAs, was selected by the Authority. In addition to meeting the requirements set forth in state statutes, the audit also was designed to meet the requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. The auditors' report on the financial statements is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in the single audit section of this report.

ACKNOWLEDGEMENTS:

We would like to express our appreciation to the members of the Morris County Municipal Utilities Authority for their concern in providing fiscal accountability to the citizens of Morris County and thereby contributing their full support to the development and maintenance of our financial operation. The preparation of this report could not have been accomplished without the efficient and dedicated services of our financial and accounting staff.

Respectfully submitted,



Lawrence A. Kaletcher
 Treasurer



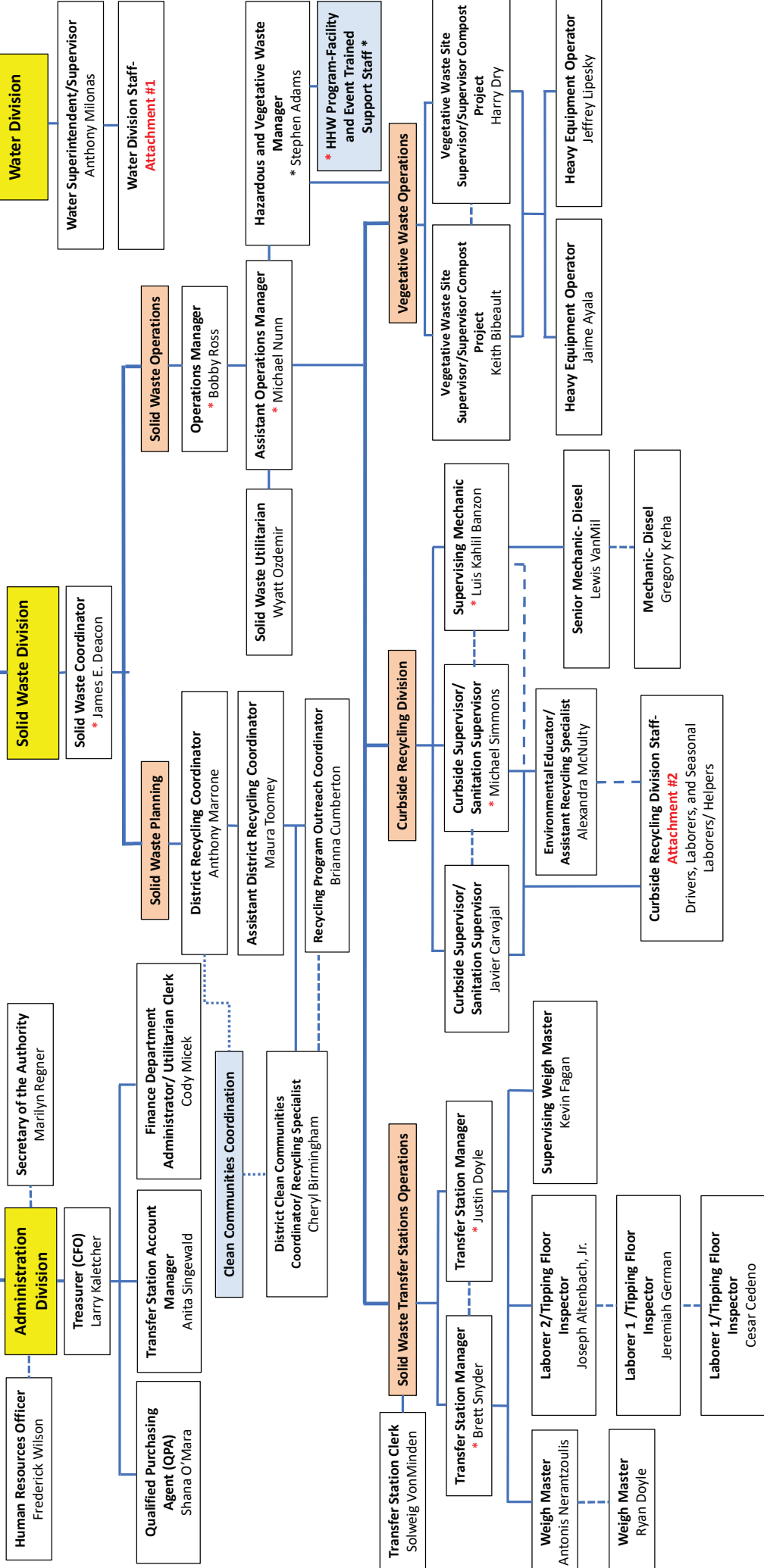
Larry Gindoff
 Executive Director



Morris County Municipal Utilities Authority Board

January 2024

Organizational Chart





Water Division Staff
Attachment #1

Employee Name	Job Title
Anthony Milonas	Water Division Superintendent/Supervisor
Robert Esposito	Senior Water Treatment Plant Repairer
Sean Casey	Senior Water Treatment Plant Repairer
Todd Jones	Water Treatment Plant Repairer
Thomas Vander Ploeg	Water Treatment Plant Repairer
Felix Gonzalez	Water Division- Laborer 2



Organizational Chart

Curbside Division Staff
Attachment #2

Employee Name	Job Title
Cristian Atonal	Curbside Laborer/Sanitation Worker
Yosimar Banguero	Seasonal Helper- Curbside Laborer/Sanitation Worker
Jhon Barrero	Curbside/Sanitation Driver
Robert Bechaud	Curbside/Sanitation Driver
Kaarhera R. Bourgeois	Curbside Laborer/Sanitation Worker
Xavier Brown	Curbside Laborer/Sanitation Worker
Michael Caldwell	Curbside Laborer/Sanitation Worker
Efigenio Carrero	Curbside/Sanitation Driver
Orlando Diaz	Curbside/Sanitation Driver
Johnnie Drayton	Curbside/Sanitation Driver (Roll-Off)
Jorge Flores	Curbside Laborer/Sanitation Worker
Yolanda Galicia-Agront	Curbside/Sanitation Driver
Felipe Garcia	Curbside/Sanitation Driver
Christopher Goral	Curbside/Sanitation Driver
Dennis Gray, Jr.	Curbside Laborer/Sanitation Worker
Jesus Hernandez	Curbside Laborer/Sanitation Worker
Danilo Linares	Curbside Laborer/Sanitation Worker
David L. McClurkin	Curbside Laborer/Sanitation Worker
Jordan McDaniel	Curbside/Sanitation Driver (Roll-Off)
Cristian Rendon	Seasonal Helper- Curbside Laborer/Sanitation Worker
Delfon Robins	Curbside Laborer/Sanitation Worker
Terry Rosillo	Seasonal Helper- Curbside Laborer/Sanitation Worker
Alberto Santiago	Curbside Laborer/Sanitation Worker
Jorge Garcia	Curbside Laborer/Sanitation Worker
Frank Steele	Senior Recycling Operator/Sanitation Driver
Ernest Tangeri	Curbside/Sanitation Driver
Mark Torres	Curbside/Sanitation Driver
Jose Vasquez	Curbside/Sanitation Driver
Mario Vazquez	Curbside Laborer/Sanitation Worker
Jeffrey Walker	Curbside Laborer/Sanitation Worker
Marshall Webb	Curbside Laborer/Sanitation Worker
Rickey Wilkins	Curbside Laborer/Sanitation Worker
Currently Vacant	Curbside/Sanitation Driver

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
ROSTER OF OFFICIALS
DECEMBER 31, 2023

Board Members

Dr. Dorothea Kominos	Chairwoman
Michael Guadagno	Vice Chairman
James J. Barry, Jr.	Board Member
Christopher Dour	Board Member
Frank Druetzler	Board Member
Maria Farris	Board Member
William Hudzik	Board Member
Dr. Arthur Nusbaum	Board Member
Laura Szwak	Board Member

CONSULTANTS AND ADVISORS

AUDIT FIRM

Nisivoccia, LLP
200 Valley Road, Suite 300
Mt. Arlington, NJ 07856

ATTORNEYS

Joseph J. Maraziti, Jr., Esq.
Maraziti Falcon LLP
240 Cedar Knolls Road, Suite #301
Cedar Knolls, NJ 07927

WATER CONSULTANT ENGINEERS

Suburban Consulting Engineers, Inc.
96 U.S. Highway 206, Suite 101
Flanders, NJ 07836

SOLID WASTE CONSULTANT ENGINEERS

Richard A. Alaimo Engineering
200 High Street
Mt. Holly, NJ 08060

FINANCIAL SECTION

Independent Auditors' Report

The Honorable Chairman and Members
of the Morris County Municipal
Utilities Authority
Randolph, NJ

Report on the Audit of the Financial Statements

Qualified Opinion

We have audited the accompanying financial statements of the business-type activities of the Morris County Municipal Utilities Authority (the “Authority”), a component unit of the County of Morris, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements as listed in the table of contents.

In our opinion, except for the effects of the matter described in the Basis for Qualified Opinion section of our report, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Authority, as of December 31, 2023, and the changes in financial position, and cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Qualified Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS), audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey (“the Division”) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). 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 Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our qualified audit opinion.

Matter Giving Rise to Qualified Opinion

The Authority’s net pension liability and the related deferred outflows and inflows of resources reported in the financial statements at December 31, 2023 is based on the June 30, 2022 Governmental Accounting Standards Board (“GASB”) Statement No. 68, *Accounting and Financial Reporting for Pensions*, report for the State of New Jersey Public Employees’ Retirement System (“PERS”), from the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey (the “State”). We were unable to obtain the June 30, 2023 GASB No. 68 report as it has not been released by the State as of the date of this report. The amount by which this omission would affect the net pension liability and the related deferred inflows and outflows of resources, net position and expenses of the Authority has not been determined.

The Honorable Chairman and Members
of the Morris County Municipal
Utilities Authority
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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 Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, *Government Auditing Standards* and audit requirements prescribed by the Division, we

- exercise professional judgment 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 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those 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.

The Honorable Chairman and Members
of the Morris County Municipal
Utilities Authority
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Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information pension and post-retirement benefit schedules and related notes 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.

The Schedule of Authority's Proportionate Share of the Net Pension Liability does not contain the Authority's proportionate share of net pension liability as of June 30, 2023 as the related GASB No. 68 report for PERS has not been released by the State as of the date of this report. This required supplementary information is required to be presented to supplement the basic financial statements in accordance with accounting principles generally accepted in the United States of America. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information schedules and the schedules of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*; and New Jersey's OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying supplementary information schedules and the schedules of expenditures of federal and state awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

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

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated April 26, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 Authority's internal control over financial reporting and compliance.

Mt. Arlington, New Jersey
April 26, 2024

Nisivoccia LLP
NISIVOCCIA LLP

Man C Lee

Man C. Lee
Registered Municipal Accountant #562
Certified Public Accountant

MANAGEMENT DISCUSSION AND ANALYSIS

This section presents management's analysis of the Authority's financial condition and activities for the year. This information should be read in conjunction with the financial statements.

Financial Highlights

Management believes the Authority's financial position remains strong. The Authority is well within its stringent financial policies and guidelines set by the Board and management. The following are key highlights:

- During year 2023, the Authority shipped 471,578 tons of solid waste to the landfills. This is 122 tons more than 2022 or a 0.03% increase.
- In addition to the above, the Authority's curbside recycling program collection of various types of recyclable waste removed 11,450 tons from the waste stream. This is compared to 12,341 tons collected during 2022, which continues a decreasing trend. The Household Hazardous Waste (HHW) program eliminated another 155.83 tons of hazardous waste from the waste stream. This is significant for several reasons. The first being the removal of harmful chemicals which, if disposed of illegally, could impact the aquifer water quality. Also, it allows for the capture of precious metals used in the manufacture of computers and various other types of equipment.
- For the year 2023, the Authority delivered 1.491 billion gallons of potable water compared to 1.591 billion gallons delivered in 2022. This represents a decrease of 6.9%.

Overview of the Financial Statements

The Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with the financial statements and supplementary information. The Management's Discussion and Analysis represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's strategic plan, budget, and other management tools were used for this analysis.

The financial statements report information about the Authority using full accrual accounting as utilized by similar government activities. The financial statements include a statement of net position; a statement of revenue, expenses, and changes in net position; a statement of cash flows and notes to the financial statements. In addition, there are several supplementary information schedules.

The *statement of net position* presents the financial position of the Authority on a full accrual historical cost basis. The statement of net position presents information on all of the Authority's assets and liabilities as well as any deferred inflows or outflows of resources, with the difference reported as net position. Over time, increases and decreases in net position is one indicator of whether the financial position of the Authority is improving or deteriorating.

While the statement of net position provides information about the nature and amount of resources and obligations at year-end, the *statement of revenues, expenses, and changes in net position* presents the results of the business activities over the course of the year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. This statement also provides certain information about the Authority's recovery of its costs. Rate setting policies use different methods of cost recovery not fully provided for by generally accepted accounting principles.

Overview of the Financial Statements (Cont'd)

The *statement of cash flows* presents changes in cash and cash equivalents, resulting from operational, financing, and investing activities. This statement presents cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The *notes to the financial statements* provide additional information essential to a full understanding of the Authority's financial statements.

The *supplementary information schedules* provide detailed comparison of budget to actual expenses and other information.

Financial Conditions

The Authority's financial condition remained strong at year-end with adequate liquid assets, reliable plants and systems to meet demand, and a reasonable level of unrestricted net position. The current financial condition, technical support staff capabilities, and operating and expansion plans to meet anticipated customer needs are well balanced and under control.

The Authority's total net position increased from the prior year by \$9.66 million. The analysis below focuses on the Authority's net position (Table I) and changes in net position (Table 2) as compared to the prior year.

	Net Position			Percentage of Increase (Decrease)
	December 31,		Increase/ (Decrease) from 2022	
	2023	2022		
Current and Other Assets	\$ 84,550,421	\$ 72,457,115	\$ 12,093,306	
Capital Assets, Net	31,626,221	33,316,278	(1,690,057)	
Lease Assets, Net	2,503,725	2,707,890	(204,165)	
Total Assets	<u>118,680,367</u>	<u>108,481,283</u>	<u>10,199,084</u>	9.40%
Deferred Outflows of Resources	<u>2,793,115</u>	<u>2,946,736</u>	<u>(153,621)</u>	-5.21%
Current Liabilities	8,056,625	7,922,485	134,140	
Non-Current Liabilities	<u>45,812,092</u>	<u>41,112,917</u>	<u>4,699,175</u>	
Total Liabilities	<u>53,868,717</u>	<u>49,035,402</u>	<u>4,833,315</u>	9.86%
Deferred Inflows of Resources	<u>5,864,479</u>	<u>10,315,895</u>	<u>(4,451,416)</u>	-43.15%
Net Position:				
Net Investment in Capital Assets	31,734,703	33,413,062	(1,678,359)	
Unrestricted	<u>30,005,583</u>	<u>18,663,660</u>	<u>11,341,923</u>	
Total Net Position	<u>\$ 61,740,286</u>	<u>\$ 52,076,722</u>	<u>\$ 9,663,564</u>	18.56%

Total net position increased 18.56%. Net investment in capital assets decreased \$1,678,359 due to current year depreciation of \$2,329,401, current year deletions of \$12,198, and \$204,165 in amortization expense; offset by current year additions of \$651,542 and maturity of \$215,863 in lease principal. Unrestricted net position increased \$11,341,923, which is mainly due to the increase in tipping fee revenue and interest earnings and the sale of a 1.5 mile section of the water main pipeline to New Jersey American Water.

Financial Conditions (Cont'd)

Changes in the Authority's net position can be determined by reviewing the following condensed Statement of Revenue, Expenses and Changes in Net Position for the two years.

	December 31,		Increase/ (Decrease) from 2022	Percentage of Increase/ Decrease
	2023	2022		
Operating Revenue	\$ 58,009,318	\$ 56,843,683	\$ 1,165,635	
Nonoperating Revenue	4,308,294	1,229,324	3,078,970	
Total Revenue	<u>62,317,612</u>	<u>58,073,007</u>	<u>4,244,605</u>	7.31%
Water Division	2,645,106	2,628,166	16,940	
Solid Waste Division	47,513,851	47,583,657	(69,806)	
Depreciation	2,329,401	2,023,217	306,184	
Amortization	204,165	204,165		
Total Expenses	<u>52,692,523</u>	<u>52,439,205</u>	<u>253,318</u>	0.48%
Change in Net Position Before Other Items	9,625,089	5,633,802	3,991,287	70.85%
Other Items	<u>38,475</u>	<u>12,126</u>	<u>26,349</u>	-217.29%
Change in Net Position	9,663,564	5,645,928	4,017,636	71.16%
Beginning Net Position	<u>52,076,722</u>	<u>46,430,794</u>	<u>5,645,928</u>	12.16%
Ending Net Position	<u>\$ 61,740,286</u>	<u>\$ 52,076,722</u>	<u>\$ 9,663,564</u>	18.56%

Results of Operations

Operating Revenues: Revenue from operations falls into several categories: Water Operations, Tipping Fees, Vegetative Waste, Household Hazardous Waste, Curbside Recycling, Water Other Receipts and Solid Waste Other Receipts. Water charges decreased \$76,041 or 1.61%, tipping fee revenue increased \$2,365,455 or 4.90%, vegetative waste revenue decreased \$36,948 or 6.48%, household hazardous waste revenue increased \$15,268 or 35.30%, curbside recycling revenue decreased \$712,010 or 28.03%, water other receipts decreased \$275,040 or 58.24% and solid waste other receipts decreased \$115,049 or 61.49%.

Non-Operating Revenues: Revenue increased \$3,078,970, or 250.46%, largely as a result of a \$2,170,752 increase in interest on investments and a \$1,080,000 sale of 1.5 mile section of the water main pipeline; offset by a decrease of \$171,782 in grants.

Capital Contributions: Under the terms and conditions of a 1971 agreement with the County, the Authority is limited in its ability to incur long-term debt. The Authority may issue temporary financing, i.e., Bond Anticipation Notes; however, the aggregate may not exceed \$5,000,000.

The Authority realized revenue of \$458,368 in State grants. Of this amount, \$290,134 was used to operate the household hazardous waste facility.

Results of Operations (Cont'd)

Expenses: The Authority operates two trash transfer stations and a co-located household hazardous waste facility, as well as a curbside collection program which provides recyclable waste pickup and marketing for approximately half of the municipalities in the county. In addition, the Authority operates two vegetative waste facilities for the collection of such waste into processed compost and mulch for sale to residents and businesses. Lastly, the Authority operates and maintains a potable water treatment and delivery system.

Total operating and nonoperating expenses increased \$253,318 or 0.48% from 2022. Solid waste expenses decreased \$42,558 or 0.09% and water expenses increased \$295,876 or 8.90%. Included in those amounts is depreciation, which overall increased \$306,184 or 15.13%. The decrease in solid waste expenses is primarily due to a decrease in the operation and maintenance of the transfer station expenses; offset by an increase in employee benefit expense and other postemployment benefits expense. The increase in water expenses is primarily due to an increase in employee benefit expense, engineering and professional services expense and other postemployment benefits expense; offset by a decrease in capital improvements.

Budgetary Highlights: Over the course of the year, the Authority's Board of Directors approved amendments to the original adopted budget. Anticipated revenues and appropriations were increased from \$56,612,696 to \$59,017,177.

Capital Assets: As of December 31, 2023, the Authority had \$31.63 million invested in capital assets, including land, two transfer stations, a household hazardous waste facility, two vegetative waste facilities and a potable water treatment and delivery system. This amount represents a decrease of \$1,690,057 from the prior year.

The following table summarizes the Authority's capital assets, net of accumulated depreciation and changes therein, for the years ended December 31, 2023 and 2022. These changes are also presented in Note 2 to the financial statements.

	December 31,		Increase/ (Decrease)	Percentage of Increase/ (Decrease)
	2023	2022	from 2022	(Decrease)
Land	\$ 2,801,724	\$ 2,801,724		
Construction in Progress		1,975,875	\$ (1,975,875)	-100.00%
Buildings, Building Improvements, Vehicles and Machinery and Equipment	70,840,480	68,395,029	2,445,451	3.58%
Total	73,642,204	73,172,628	469,576	0.64%
Less:				
Accumulated Depreciation	42,015,983	39,856,350	2,159,633	5.42%
Capital Assets, Net of Accumulated Depreciation	<u>\$ 31,626,221</u>	<u>\$ 33,316,278</u>	<u>\$ (1,690,057)</u>	-5.07%

Results of Operations (Cont'd)

Long-term Liabilities: Compared to 2022, long-term liabilities increased a net amount of \$4,674,717.

Table IV
Outstanding Long-Term Liabilities

	Dec. 31, 2023	Dec. 31, 2022	Increase/ (Decrease) from 2022	Percent of Increase/ (Decrease)
Compensated Absences	\$ 511,921	\$ 521,260	\$ (9,339)	-1.79%
Net Pension Liability	6,662,281	4,880,010	1,782,271	36.52%
Net OPEB Liability	36,434,052	33,316,404	3,117,648	9.36%
Lease Payable	2,395,243	2,611,106	(215,863)	-8.27%
	<u>\$ 46,003,497</u>	<u>\$ 41,328,780</u>	<u>\$ 4,674,717</u>	11.31%

Cash Flow Activity: The cash and cash equivalents at year-end 2023 increased by \$11,658,814, or 33.35% from the previous year mainly due to the healthy results of operating activities, as well as increases in interest earnings and sale of assets. The Authority maintains an adequate cash balance to meet future emergencies and capital requirements.

Factors Bearing on the Authority’s Future: The Authority’s past and present daily operations include activities which are subject to extensive federal and state environmental regulations. Compliance with these regulations has not had, nor does the Authority expect such compliance to have, any material effect upon expected capital expenses, net position, financial condition or competitive position of the Authority. The Authority believes that its current practices and procedures comply with applicable regulations. The Authority’s policy is to accrue environmental and related costs of a non-capital nature when it is both probable that a liability has been incurred and that the amount can be reasonably estimated.

The passage of the Highlands Water Protection and Planning Act, N.J.S.A. 13:20-1 introduces potential limitations to future demands of growth within the Authority’s franchise area. The Act may also result in additional regulations involving Authority projects. These potential conditions are not expected to have any material effect upon the financial condition or competitive position of the Authority.

Final Comments: The Authority is developing a plan to meet future water supply demands within its franchise area. In addition, emergency backup provisions have been established with neighboring water systems in the event of a water system emergency to provide adequate supplies of water during these periods. Infrastructure improvements, vehicle and equipment replacements continue to be a priority of the Authority.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2023

ASSETS

Current Assets:

Cash and Cash Equivalents	\$	46,642,683
Investments		33,705,845
Total Cash and Cash Equivalents and Investments		80,348,528
Tipping Fees Receivable		2,801,318
Vegetative Waste Receivable		177,176
Curbside Recycling Receivable		435,695
Household Hazardous Waste Receivable		847
Other Solid Waste Receivable		2,300
Water Charges Receivable		784,557

Total Current Assets		84,550,421
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Noncurrent Assets:

Capital Assets, Net:

Sites (Land)		2,801,724
Depreciable Buildings and Building Improvements, Vehicles and Machinery and Equipment		28,824,497

Total Capital Assets, Net		31,626,221
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Lease Assets, net		2,503,725
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Total Noncurrent Assets		34,129,946
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<u>TOTAL ASSETS</u>		118,680,367
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DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows Related to Pensions		448,677
Deferred Outflows Related to Other Postemployment Benefits Obligation		1,769,710
Pension Contribution Subsequent to the Measurement Date		574,728

Total Deferred Outflows of Resources		2,793,115
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MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF NET POSITION
DECEMBER 31, 2023
(Continued)

LIABILITIES

Current Liabilities:

Accounts Payable	\$ 5,385,216
Unearned Revenue	25,570
Escrow Deposits	2,446,434
Security Deposit	3,000
Unearned Revenue - Prepayments	5,000
Lease Payable - Due Within One Year	191,405

Total Current Liabilities	8,056,625
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Non-Current Liabilities:

Compensated Absences Payable	511,921
Net Pension Liability	6,662,281
Net OPEB Liability	36,434,052
Lease Payable - Due Beyond One Year	2,203,838

Total Non-Current Liabilities	45,812,092
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Total Liabilities	53,868,717
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DEFERRED INFLOWS OF RESOURCES:

Deferred Inflows Related to Pensions	1,646,348
Deferred Inflows Related to Other Postemployment Benefits Obligation	4,218,131

Total Deferred Inflows of Resources	5,864,479
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NET POSITION

Net Investment in Capital Assets	31,734,703
Unrestricted	30,005,583

Total Net Position	\$ 61,740,286
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THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF REVENUE, EXPENSES, AND CHANGES IN NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2023

Operating Revenue:	
Water Charges	\$ 4,655,358
Tipping Fees	50,664,937
Vegetative Waste Receipts	533,305
Other Receipts - Water Division	197,222
Other Receipts - Solid Waste Division	72,061
Household Hazardous Waste	58,276
Curbside Recycling Receipts	1,828,159
Total Operating Revenue	<u>58,009,318</u>
Operating Expenses:	
Water Division Expenses	2,645,106
Solid Waste Division Expenses	47,513,851
Depreciation	2,329,401
Amortization	204,165
Total Operating Expenses	<u>52,692,523</u>
Operating Income	<u>5,316,795</u>
Nonoperating Revenue:	
State of NJ Grant Revenue:	
Clean Communities Grant	110,068
Recycling Enhancement Grant	348,300
Interest Earned on Investments	2,769,926
Sale of Assets (Pipeline)	1,080,000
Total Nonoperating Revenue (Expenses)	<u>4,308,294</u>
Change in Net Position Before Other Items	9,625,089
Other Items:	
Cancellation of Prior Year Accounts Payable	50,673
Disposal of Capital Assets, Net of Accumulated Depreciation	(12,198)
Total Other Items	<u>38,475</u>
Change in Net Position	9,663,564
Net Position, Beginning of Year	<u>52,076,722</u>
Net Position, End of Year	<u>\$ 61,740,286</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS
ARE AN INTEGRAL PART OF THIS STATEMENT

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED DECEMBER 31, 2023

CASH FLOWS FROM OPERATING ACTIVITIES	
Cash Received from Customers	\$ 57,685,197
Cash Paid to Suppliers and Employees	(49,736,005)
Net Cash Provided by Operating Activities	<u>7,949,192</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Purchase of Capital Assets	(651,542)
Construction in Progress	(90,380)
Principal Payments on Leases	(215,863)
Net Cash Used for Capital and Related Financing Activities	<u>(957,785)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Grants Received	817,481
Sale of Assets (Pipeline)	1,080,000
Net Cash Provided by Noncapital Financing Activities	<u>1,897,481</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Interest on Investments	2,769,926
Net Cash Provided by Investing Activities	<u>2,769,926</u>
Net Increase in Cash and Cash Equivalents and Investments	11,658,814
Cash and Cash Equivalents and Investments - Beginning of Year	<u>68,689,714</u>
Cash and Cash Equivalents and Investments - End of Year	<u>\$ 80,348,528</u>
Reconciliation of Net Operating Income to Net Cash	
Provided by Operating Activities:	
Operating Income	\$ 5,316,795
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:	
Depreciation	2,329,401
Amortization	204,165
Changes in Assets, Liabilities and Deferred Inflows and Outflows:	
(Increase) in Tipping Fees Receivable	(982,444)
(Increase) in Vegetative Waste Receivable	(14,790)
Decrease in Curbside Recycling Receivable	80,927
(Increase) in Household Hazardous Waste Receivable	(385)
Decrease in Water Charges Receivable	124,171
Decrease in Other Water Receivable	1,629
(Increase) in Deferred Outflows Related to Pensions	(326,515)
Decrease in Deferred Outflows Related to OPEB	498,158
(Decrease) in Accounts Payable - Operating	(187,855)
Increase in Escrow Deposits	461,771
Increase in Unearned Revenue	5,000
(Decrease) in Compensated Absences Payable	(9,339)
Increase in Net OPEB Liability	3,117,648
Increase in Net Pension Liability	1,782,271
(Decrease) in Deferred Inflows Related to Pensions	(2,342,350)
(Decrease) in Deferred Inflows Related to OPEB	(2,109,066)
Total Adjustments	<u>2,632,397</u>
Net Cash Provided by Operating Activities	<u>\$ 7,949,192</u>

THE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS ARE AN INTEGRAL PART TO THIS STATEMENT

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023

Note 1 - Organization and Summary of Significant Accounting Policies

Authorization Legislation - The Morris County Municipal Utilities Authority, hereinafter called the "Authority", was created in 1958 as a public body corporate and politic of the State of New Jersey by the Board of Commissioners of the County of Morris pursuant to N.J.S.A. 40:14B-1 et seq. The Authority was established to protect the County water supply and prevent further diversion to areas outside the County. The Authority is currently utilizing two well field sites (Alamontong and Flanders Valley) and purchases water from Southeast Morris County Municipal Utilities Authority. The Authority is presently supplying water to the Townships of Randolph, Roxbury, Denville, Jefferson, Parsippany-Troy Hills and Mine Hill, Boroughs of Mount Arlington and Wharton, the Southeast Morris County Municipal Utilities Authority, and New Jersey American Water Company.

On September 23, 1987, the Board of Chosen Freeholders of the County of Morris designated the Morris County Municipal Utilities Authority as the agency to design and construct a solid waste system, including transfer stations, solid waste disposal facilities and other facilities for the collection, treatment and disposal of solid waste in accordance with the solid waste management plan of Morris County, as amended from time to time.

A. Basis of Presentation and Accounting

The Authority utilizes the accrual basis of accounting whereby revenue is recorded as earned and expenses are reflected as the liability is incurred. Operating revenue, such as charges for services result from exchange transactions associated with the principal activity of the Authority. Exchange transactions are those in which each party receives and gives up essentially equal value. Nonoperating revenue, such as subsidies and investment earnings, results from nonexchange transactions or ancillary activities. Nonexchange transactions, in which the Authority gives or receives value without directly receiving or giving equal value in exchange, generally do not occur, with the exception of investment earnings and interest expense.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned and/or expenses incurred is appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the Statement of Net Position. Net position (i.e., totals assets and deferred outflows net of total liabilities and deferred inflows) are segregated into "Net Investment in capital assets" and "unrestricted" components.

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

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 1 - Organization and Summary of Significant Accounting Policies (Cont'd)

A. Basis of Presentation and Accounting (Cont'd)

Reporting Entity

Governmental Accounting Standards Board ("GASB") Codification Section 2100, "Defining the Financial Reporting Entity" establishes standards to determine whether a governmental component unit should be included in the financial reporting entity. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. In addition, component units can be other organizations for which the nature and significance of their relationship with a primary government are such that exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. A legally separate, tax-exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents. (2) The primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization. (3). The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. There were no additional entities required to be included in the reporting entity under the criteria as described above, in the current fiscal year. The Authority is a component unit of the County of Morris under the provisions of GASB Codification Section 2100.

B. Grants

Recognition of revenue from grants is based on the accrual basis of accounting. Grant funds received before costs are incurred are recorded as unearned revenue.

Grant related expenditures incurred in advance of receipt of grant funds result in the recording of receivables and revenue. Grants not externally restricted and utilized to finance operations are identified as nonoperating revenue.

C. Inventories

The cost of inventories of supplies are recorded as expenses at the time individual items are purchased, since they are immaterial to the financial position and results of operations.

D. Cash and Cash Equivalents

Amounts include petty cash, change funds, amounts on deposit, and short-term investments with original maturities of three months or less.

E. Investments

The Authority generally records investments at fair value and records the unrealized gains and losses as part of investment income. Fair value is the price that would be received to sell an investment in an orderly transaction between market participants at the measurement date.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 1 - Organization and Summary of Significant Accounting Policies (Cont'd)

E. Investments (Cont'd)

The Authority categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

F. Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make 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 revenue and expenses during the reporting period. Actual results could differ from the estimates.

G. Compensated Absences

A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Authority employees are granted varying amounts of vacation and sick leave in accordance with the Authority's various employee contracts/agreements. Upon retirement, employees are paid for accrued vacation and sick leave. These employee contracts/agreements permit employees to accumulate unused sick leave and carry forward the full amount to subsequent years. Upon retirement, employees shall be paid by the Authority for the unused vacation and sick leave in accordance with the Authority's applicable employee contracts/agreements.

In the *Statement of Net Position*, the liabilities, whose average maturities are greater than one year, should be reported in two components – the amount due within one year and the amount due in more than one year. Compensated absences are accrued and reported as a liability in the period earned. The balance as of December 31, 2023 was \$511,921, which is included on the Statement of Net Position as a non-current liability.

H. Net Position

Net Position is the difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources.

A deferred outflow of resources is a consumption of net position by the Authority that is applicable to a future reporting period. The Authority had deferred outflows of resources related to pensions and OPEB at December 31, 2023.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 1 - Organization and Summary of Significant Accounting Policies (Cont'd)

H. Net Position (Cont'd)

A deferred inflow of resources is an acquisition of net position by the Authority that is applicable to a future reporting period. The Authority had deferred inflows of resources related to pensions and OPEB at December 31, 2023.

Net position is displayed in three components - investment in capital assets; restricted and unrestricted.

The net investment in capital assets component of net position consists of capital assets, net of accumulated depreciation, lease assets, net of accumulated amortization and subscription assets, net of accumulated amortization reduced by the outstanding balances of 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 would be included in this 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.

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 investment in capital assets or the restricted component of net position.

I. Allowance for Uncollectible Accounts

All receivables are reported at their gross values and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. The allowance is established at the discretion of management of the Authority as deemed necessary based on prior collection history.

J. Revenue Recognition

Customers are billed monthly and revenue is recorded net of any discounts, assessments or abatements, if applicable.

K. Capital Contributions

Transmission and distribution system assets contributed to the Authority by installers are capitalized at the installers' costs, which approximate fair value at the time of the Authority's acquisition, and are recorded as capital contributions when received.

L. Storage Facilities

The Authority utilizes five storage facilities (Mine Hill, Mount Arlington and three in Randolph) for their water division. (See Note 13)

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 1 - Organization and Summary of Significant Accounting Policies (Cont'd)

M. Pensions

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

N. Lease Assets

Intangible right-to-use lease assets are assets which the Authority leases for a term of more than one year. The value of leases are determined by the net present value of the leases at the Authority's incremental borrowing rate at the time of the lease agreement, amortized over the term of the agreement.

O. Subscription Assets

Intangible right-to-use subscription assets are subscription-based information technology arrangements (SBITAs) with subscription terms of more than one year. The value of subscription assets is determined by the sum of the subscription liability and payments made to the SBITA vendor, including capitalizable initial implementation costs, before the commencement date of the subscription term.

P. Lease Payable

In the financial statements, leases payable are reported as liabilities in the Statement of Net Position.

Q. Subscription Payable

In the financial statements, subscription payables are reported as liabilities in the Statement of Net Position.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 2 - Capital Assets

Capital assets are recorded at cost and consisted of the following, as of December 31, 2022 and 2023:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Transfers</u>	<u>Ending Balance</u>
Capital Assets not Being Depreciated:				
Sites (Land)	\$ 2,801,724			\$ 2,801,724
Construction in Progress	1,975,875		\$ (1,975,875)	
Total Capital Assets Not Being Depreciated	<u>4,777,599</u>		<u>(1,975,875)</u>	<u>2,801,724</u>
Capital Assets Being Depreciated:				
Buildings, Building Improvements, Vehicles and Machinery and Equipment	<u>68,395,029</u>	<u>\$ 651,542</u>	<u>1,793,909</u>	<u>70,840,480</u>
Total Capital Assets	<u>73,172,628</u>	<u>651,542</u>	<u>(181,966)</u>	<u>73,642,204</u>
Less Accumulated Depreciation for:				
Buildings, Building Improvements, Vehicles and Machinery and Equipment	<u>39,856,350</u>	<u>2,329,401</u>	<u>(169,768)</u>	<u>42,015,983</u>
Capital Assets Net of Accumulated Depreciation	<u>\$ 33,316,278</u>	<u>\$ (1,677,859)</u>	<u>\$ (12,198)</u>	<u>\$ 31,626,221</u>

Property and equipment are recorded at cost. Depreciation is provided on the straight-line method over the estimated useful lives of the respective assets. Maintenance and repairs are charged to expense as incurred; major renewals and betterments are capitalized. Capital assets are reviewed for impairment.

Major classes of property, plant and equipment and their estimated useful lives are summarized below:

	<u>Estimated Useful Life</u>
Vehicles	5 Years
Machinery and Equipment	15 Years
Transfer Stations	40 Years
Transmission Facilities	40 Years
Building and Building Improvements	40 Years

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 3 - Lease Assets

Lease asset balances and activity for the year ended December 31, 2023 were as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>(Decreases)/ Transfers</u>	<u>Ending Balance</u>
Lease Assets Being Amortized:				
Sites (Land)	\$ 4,436,636			\$ 4,436,636
Buildings	133,486			133,486
Total Lease Assets	<u>4,570,122</u>			<u>4,570,122</u>
Less Accumulated Amortization for:				
Sites (Land)	1,759,891	\$ 177,468		1,937,359
Buildings	102,341	26,697		129,038
	<u>1,862,232</u>	<u>204,165</u>		<u>2,066,397</u>
Lease Assets Net of Accumulated Amortization	<u>\$ 2,707,890</u>	<u>\$ (204,165)</u>	<u>\$ -0-</u>	<u>\$ 2,503,725</u>

Note 4 - Service Contract

A 1971 Service Contract between the Authority and the County of Morris requires the Authority to supply water to municipalities in the County and to establish such annual service charges to the County that will be sufficient to (1) pay or provide for the expenses of operations and maintenance of the water system and the principal of and interest on any and all bonds as the same become due; (2) maintain such reserves and sinking funds as may be required by the terms of any contract of the Authority or any bond resolution, or as may be deemed necessary or desirable by the Authority; and (3) comply in all respects to the terms and provisions of any bond resolution of the Municipal Authorities Law (N.J.S.A. 40:14B-1 et seq.).

Note 5 - Cash and Cash Equivalents and Investments

Cash and cash equivalents include petty cash, change funds, amounts in deposits, money market accounts, and short-term investments with original maturities of three months or less.

The Authority classifies certificates of deposit which have original maturity dates of more than three months but less than twelve months from the date of purchase, as investments.

GASB requires disclosure of the level of custodial credit risk assumed by the Authority in its cash, cash equivalents and investments, if those items are uninsured or unregistered. Custodial risk is the risk that in the event of bank failure, the government's deposits may not be returned.

Interest Rate Risk – In accordance with its cash management plan, the Authority ensures that any deposit or investment matures within the time period that approximates the prospective need for the funds, deposited or invested, so that there is not a risk to the market value of such deposits or investments.

Credit Risk – The Authority limits its investments to those authorized in its cash management plan which are permitted under state statutes as detailed in the section of this note on investments.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 5 - Cash and Cash Equivalents and Investments (Cont'd)

Custodial Credit Risk – The Authority’s policy with respect to custodial credit risk requires that the Authority ensures that Authority funds are only deposited in financial institutions in which NJ municipalities are permitted to invest their funds.

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, 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

New Jersey statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits as follows:

The market value of the collateral must equal 5% of the average daily balance of collected public funds on deposit, and

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

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

Investments:

New Jersey statutes permit the Authority to purchase the following types of securities:

- (1) Bonds or other obligations of the United States of America or obligations guaranteed by the United States of America;
- (2) Government money market mutual funds;
- (3) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor;
- (4) Bonds or other obligations of the local unit or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located;
- (5) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the “Local Authorities Fiscal Control Law” P.L. 1983, c. 313 (C.40A:5A-1 et seq.) Other bonds or obligations having a maturity date not more than 397 days from the date of purchase may be approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units;

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 5 - Cash and Cash Equivalents and Investments (Cont'd)

Investments: (Cont'd)

- (6) Local government investment pools;
- (7) Deposits with the State of New Jersey Cash Management Fund established pursuant to section 1 of P.L. 1977, c.281 (C.52:18A-90.4); or
- (8) Agreements for the repurchase of fully collateralized securities if:
 - (a) the underlying securities are permitted investments pursuant to paragraphs (1) and (3) of this subsection a. or are bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, issued by New Jersey school districts, municipalities, counties and entities subject to the “Local Authorities Fiscal Control Law”, P.L. 1983 c.313 (C.40A:5A-1 et seq.);
 - (b) the custody of collateral is transferred to a third party;
 - (c) the maturity of the agreement is not more than 30 days;
 - (d) the underlying securities are purchased through a public depository as defined in section 1 of P.L. 1970, c.236 (C.17:9-41); and
 - (e) a master repurchase agreement providing for the custody and security of collateral is executed.

As of December 31, 2023, cash and cash equivalents and investments of the Morris County Municipal Utilities Authority consisted of the following:

<u>Cash on Hand</u>	<u>Checking/ Savings Accounts</u>	<u>Investments Certificates of Deposits</u>	<u>Total</u>
\$ 450	\$ 46,642,233	\$ 33,705,845	\$ 80,348,528

The carrying amount of the Morris County Municipal Utilities Authority cash and cash equivalents and investments at year end was \$80,348,528 and the bank balance was \$88,401,476.

Note 6 - Transfer Station Services

Commencing on January 1, 1995, the Authority took control over several key operational responsibilities at its two transfer stations, including all billing services, scale house operations, inspection, enforcement and overall management. The Authority also took control of the Haulers' escrow deposits. All Haulers who make more than 3 deliveries of waste to the transfer stations are required to maintain a cash escrow deposit with the Authority. J.P. Mascaro & Sons, an independent contractor, provides waste handling, facility maintenance, and transportation services associated with the two transfer stations.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 7 - State Flow Control Regulations

On November 10, 1997, the U.S. Supreme Court denied a petition for certification in the Atlantic Coast case which gives full force and effect to the Third Circuit Court of Appeals' decision which invalidated New Jersey's waste flow system except to the extent that waste flow directives result from a competitive procurement process. Although the Authority is not a party in this litigation, the ruling potentially impacts the operations of the Authority.

The Authority submitted an Administrative Action dated December 9, 1997 to NJDEP in accordance with N.J.A.C. 7:26-6.11(b)a. The Administrative Action demonstrated that the Authority's procurement of both, the Easement Agreement for landfill capacity dated January 6, 1993 and the transfer station operations and transportation contract on November 7, 1997 satisfied the requirements of Atlantic Coast Demolition and Recycling, Inc. v. Board of Chosen Freeholders, 112 F.2d 652 (3d.Cir.2000) cert. denied November 10, 1997. By letter dated January 9, 1998, the NJDEP approved the Administrative Action. Thus, directed waste flow continues to be legally enforceable in Morris County.

Note 8 - Risk Management

The 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. Workers compensation insurance and unemployment insurance are covered under the County of Morris. Health benefits are also covered under the County of Morris, however the Authority advances funds to Cigna to pay medical and prescription claims and administrative costs for Morris County Municipal Utilities Authority employees.

The Authority is a member of the Morris County Insurance Fund. The Fund provides its members with Liability, Property, and Automobile Insurance. The Fund is a risk-sharing public entity risk pool that is both an insured and self administered group of governmental entities established for the purpose of providing low-cost insurance coverage for their respective members in order to keep local property taxes at a minimum.

As a member of the Fund, the Authority could be subject to supplemental assessments in the event of deficiencies. If the assets of the Fund were to be exhausted, members would become responsible for their respective shares of the Fund's liabilities. The Fund can declare and distribute dividends to members upon approval of the Insurance Commissioners. These distributions are divided amongst the members in the same ratio as their individual assessment relates to the total assessment of the membership body.

Summarized, selected financial information for the year ended December 31, 2023 was not available as of the date of this report. Summarized, selected financial information for the year ended December 31, 2022 for the Fund is as follows:

Total Assets	\$ 12,162,608
Net Position	<u>\$ 8,200,761</u>
Total Revenue	<u>\$ 6,144,674</u>
Total Expenses	<u>\$ 3,840,273</u>
Change in Net Position	<u>\$ 2,304,401</u>
Members Dividends	<u>\$ -0-</u>

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
 (Continued)

Note 8 - Risk Management (Cont'd)

Financial statements for the Fund are available at the offices of the Morris County Treasurer:

County of Morris
 Administration & Records Building
 4th Floor, CN 900
 Morristown, NJ 07963

Note 9 - Related Party Transactions

The Authority and the County of Morris had several related party transactions throughout the year in the ordinary course of operations. Total reimbursements to the County were approximately \$1,293,717 for 2023 and \$761,777 for 2022 which consisted of workers compensation and liability insurance, pension expense, vehicle maintenance and fuel, metered mail and various printing and office supplies.

Note 10 - Contractual Commitments

The Authority has entered into several contracts in the normal course of its business operations to provide solid waste and water services to their customers, including other local governments. Below is a summary of some of the significant contracts or agreements:

The Authority entered into a 5-year transfer station operations, transport and disposal contract with J.P. Mascaro and Sons with all-in fixed costs (inbound operations plus outbound transport and disposal) of \$68.32/ton terminating in December 2025.

The Authority has a long-term lease agreement with the Township of Parsippany-Troy Hills for the property used at the Parsippany-Troy Hills transfer station for weighing, staging, tarping and queuing operations.

The Authority entered into five-year index-based recycling marketing contracts with FCR, and Morris, Inc. for the recycling of material it collects. This contract commenced in February 2021 and terminates at the end of January 2027.

The Authority contracts with MXI, Inc. with a total annual cost of \$430,000 for the management of household hazardous waste (HHW) accepted through the Authority's HHW program.

The Authority contracts with John Garcia Construction, Inc. to serve as an emergency water repair operator if and when emergency repairs are required for the water department.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 11 - Net Position Designations

The Authority made the following designations of unrestricted net position as of December 31, 2023:

Renewal and Replacement	\$ 15,411,620
Contractual Obligations	240,000
Operation and Maintenance - Reserve	6,653,963
PFAS Treatment	5,500,000
Water Exploration	200,000
Rate Stabilization Fund	2,000,000
	<u>\$ 30,005,583</u>

Note 12 - Accounts Payable and Accrued Expenses

Accounts payable and accrued expenses were as follows:

	<u>Operating</u>	<u>Pension Contribution Subsequent to the Measurement Date</u>	<u>Total</u>
Due to State of New Jersey		\$ 574,728	\$ 574,728
Vendors	\$ 4,374,293		4,374,293
Accrued Salaries and Benefits	436,195		436,195
	<u>\$ 4,810,488</u>	<u>\$ 574,728</u>	<u>\$ 5,385,216</u>

Note 13 - Storage Facilities

The Authority utilizes five water storage facilities (Mine Hill, Mount Arlington and three in Randolph) for its water division. Investment in the storage facilities totals \$3,155,086 which is included in Capital Assets.

Note 14 - Capital Contributions and Grants

The Authority periodically receives capital grants from certain governmental agencies to be used for various purposes connected with the planning, modernization, and expansion of facilities and equipment. Capital grants of the Authority are reported as non-operating revenue.

Note 15 - Environmental Matters

The Authority's past and present daily operations include activities which are subject to extensive federal and state environmental regulations. Compliance with these regulations has not had, nor does the Authority expect such compliance to have, any material effect upon expected capital expenses, financial condition or competitive position of the Authority. The Authority believes that its current practices and procedures comply with applicable regulations. The Authority's policy is to accrue environmental and related costs of a non-capital nature when it is both probable that a liability has been incurred and that the amount can be reasonably estimated. No such amounts have been accrued in these statements.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 16 - Contingencies

The Authority is periodically involved in various lawsuits, claims, and grievances arising in the normal course of business, including claims for personal injury and personnel practices, property damage, and disputes over eminent domain proceedings. In the opinion of the General Counsel to the Authority, payment of claims by the Authority, for amounts not covered by insurance, in the aggregate, are not expected to have a material adverse effect on the Authority’s financial position.

The Authority participates in federal and state assisted grant programs. These programs are subject to financial and compliance audits by the grantors or their representatives. In the opinion of Authority Management, liabilities resulting from such disallowed expenditures, if any, will not be material to the accompanying financial statements.

Note 17 - Long Term Liabilities

During the year ended December 31, 2023, the following changes occurred in liabilities reported in the financial statements:

	<u>Balance</u> <u>12/31/2022</u>	<u>Accrued</u>	<u>Retired</u>	<u>Balance</u> <u>12/31/2023</u>
Compensated Absences Payable	\$ 521,260	\$ 28,054	\$ 37,393	\$ 511,921
Net Pension Liability	4,880,010	1,782,271		6,662,281
Net OPEB Liability	33,316,404	3,117,648		36,434,052
Lease Payable	<u>2,611,106</u>		<u>215,863</u>	<u>2,395,243</u>
	<u>\$ 41,328,780</u>	<u>\$ 4,927,973</u>	<u>\$ 253,256</u>	<u>\$ 46,003,497</u>

Compensated Absences Payable

The liability for compensated absences is recorded in the current and long-term liabilities. The compensated absences balance is \$511,921, none of which represents a current portion of the liability; therefore, the entire balance is reported in the long-term portion of the liability.

Net Pension Liability

The Public Employee’s Retirement System (PERS) net pension liability is recorded in the current and long-term liabilities. The current portion of the net pension liability at June 30, 2021 is \$-0- and the long term portion is \$6,662,281. See Note 18 for further information on the PERS.

Net OPEB Liability

The liability for other postemployment benefit obligations is recorded in the current and long-term liabilities. The current portion of the liability at December 31, 2023 is \$-0- and the long-term portion is \$36,434,052. See Note 19 for further information on these benefits.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 17 - Long Term Liabilities (Cont'd)

Leases Payable

The Authority had leases outstanding as of December 31, 2023 as follows:

<u>Purpose</u>	<u>Commencement Date</u>	<u>Frequency of Payment</u>	<u>Final Maturity Date</u>	<u>Interest Rate</u>	<u>Amount</u>
Dalrymple House	03/01/19	Monthly	02/28/24	3.000%	\$ 4,391
Transfer Station Site	02/01/13	Monthly	01/31/38	3.000%	2,390,852
					<u>\$2,395,243</u>

Principal and interest due on leases outstanding are as follows:

<u>Year Ending December 31,</u>	<u>Principal</u>	<u>Interest</u>
2024	\$ 191,405	\$ 77,304
2025	184,216	83,354
2026	181,462	90,123
2027	178,747	96,913
2028	176,076	103,719
Thereafter 5 Years (2029-2033)	841,624	621,556
Thereafter 5 Years (2034-2038)	641,713	636,536
	<u>\$ 2,395,243</u>	<u>\$ 1,709,505</u>

Note 18 - Pension Plans

Authority employees participate in a contributory, defined benefit public employee retirement system: the State of New Jersey Public Employee's Retirement System (PERS).

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey, Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the Division). For additional information about the PERS, please refer to the Division's annual financial statements which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml. As of the date of this report, the June 30, 2023 GASB No. 68 report has not been released by the Division.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 18 - Pension Plans (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service. The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 with 25 or more years of service credit before age 62 and Tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing members. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid.

The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years, beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 18 - Pension Plans (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

Contributions (Cont'd)

Authority contributions to PERS amounted to \$556,706 for the current fiscal year. During the fiscal year ended June 30, 2022, the State of New Jersey contributed \$14,018 to the PERS for normal pension benefits on behalf of the Authority.

The employee contribution rate was 7.50% effective July 1, 2018.

Special Funding Situation

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed that legally obligated the State if certain circumstances occurred. The legislation, which legally obligates the State, is Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under the legislation is considered to be special funding situation as defined by GASB Statement No. 68 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under the legislation directly to the plan (except for employer specific financed amounts), there is no pension liability or deferred outflows or inflows to report in the financial statement of the local participating employers related to the legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entity's total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must disclose pension expense associated with the employers in an amount equal to the nonemployer contributing entity's total proportionate share of the collective pension expense associated with the local participating employer.

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions

At June 30, 2022, the Authority's liability was \$6,662,281 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021 which was rolled forward to June 30, 2022. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members, actuarially determined. At June 30, 2022, the Authority's proportion was 0.044%, which was an increase of 0.003% from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the Authority recognized an actual pension benefit in the amount of \$811,689 related to the Authority's proportionate share of the net pension liability.

There was no state proportionate share of net pension liability attributable to the Authority as of June 30, 2022.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 18 - Pension Plans (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions (Cont'd)

At June 30, 2022, the Authority reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	2018	5.63		\$ 160,147
	2019	5.21		200,132
	2020	5.16		588,495
	2021	5.13		48,833
	2022	5.04	\$ 20,642	
				<u>20,642</u>
Changes in Proportion	2018	5.63		30,399
	2019	5.21		258,009
	2020	5.16		89,284
	2021	5.13		228,645
	2022	5.04	104,204	
				<u>104,204</u>
Net Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	2019	5.00	6,591	
	2020	5.00	198,049	
	2021	5.00	(1,235,301)	
	2022	5.00	1,306,407	
				<u>275,746</u>
Difference Between Expected and Actual Experience	2018	5.63		6,098
	2019	5.21	15,298	
	2020	5.16	32,787	
	2021	5.13		16,416
	2022	5.04		19,890
				<u>48,085</u>
Authority Contribution Subsequent to the Measurement Date	2023	1.00	574,728	
			<u>\$ 1,023,405</u>	<u>\$ 1,646,348</u>

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 18 - Pension Plans (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

Pension Liabilities, Pension Expense and Deferred Outflows and Inflows of Resources Related to Pensions (Cont'd)

Amounts reported as deferred outflows and inflows of resources (excluding the Authority contribution subsequent to the measurement date) related to pensions will be recognized in the pension benefit as follows:

Year Ending Ending June 30,	Total
2023	\$ (903,707)
2024	(424,521)
2025	(195,857)
2026	326,065
2027	349
	\$ (1,197,671)

Actuarial Assumptions

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

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75 – 6.55% based on years of service
Investment Rate of Return	7.00%

Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and a 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 18 - Pension Plans (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

Long Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on pension plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the Board of Trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2022 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based upon 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments in determining the total pension liability.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
 (Continued)

Note 18 - Pension Plans (Cont'd)

Public Employees' Retirement System (PERS) (Cont'd)

Sensitivity of the Authority's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the collective net pension liability as of June 30, 2022 calculated using the discount rate as disclosed below, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current rate:

	June 30, 2022		
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
Authority's proportionate share of the Net Pension Liability	\$ 8,545,254	\$ 6,662,281	\$ 5,039,875

Pension Plan Fiduciary Net Position

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

Note 19 - Post-Retirement Benefits Other Than Pensions

General Information about the Authority's OPEB Plan

The Authority provides post-retirement benefits, as follows, to Authority employees who meet one of the following criteria:

1. Retire after 25 or more years of service with a New Jersey State Retirement System and with at least 15 years of service with the Authority;
2. Retire after attainment of age 62 with at least 15 or more years of service with the Authority and/or County of Morris, for employees hired on or before November 1, 2012 (or later for certain collective bargaining agreements); or
3. Retire under a disability retirement from the New Jersey State Retirement System.

Benefits are provided to the retiree and, if the retiree was hired prior to a certain date, the spouse as well depending on the employee's union affiliation or whether the employee is not affiliated with a union. If the spouse is covered, benefits continue to the surviving spouse after the death of the retiree.

Certain employees hired after certain dates are not eligible for postretirement healthcare benefits. This depends on the union the employee is affiliated with or whether the employee is not affiliated with a union.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
 (Continued)

Note 19 - Post-Retirement Benefits Other Than Pensions (Cont'd)

Plan Description and Benefits Provided

Medical benefits are provided thru fully-insured plans with CIGNA. There are two plans offered to retirees: a PPO plan and an HMO plan. Effective January 1, 2020, prescription drug benefits changed to fully insured coverage with CIGNA. There is a 3-tier co-pay of \$1/\$20/\$35 for retail and \$2/\$40/\$70 for mail-order. Medicare benefits coordinate with Medicare primary and the Authority plan secondary for retirees eligible for Medicare. Medicare eligible retirees and dependents are required to enroll in Medicare Part B. The Authority reimburses Medicare eligible retirees and spouses for the full cost of the Medicare Part B premium.

Contributions

The Authority’s portion of postretirement benefits is funded on a pay-as-you-go basis from the operating budget. During 2023 and 2022, the Authority had approximately 34 and 30 employees who met eligibility requirements and recognized expenses of approximately \$749,445 and \$621,231 as reimbursements to the County of Morris, respectively.

Employees Covered by Benefit Terms

As of January 1, 2022, there was a total of 96 active employees and retirees, reflecting the sum of 65 active employees and 31 retirees and surviving spouses.

Total OPEB Liability

The Authority’s Total OPEB liability of \$36,434,052 was measured as of December 31, 2023 and was determined by an actuarial valuation as of January 1, 2022.

Actuarial Assumptions and Other Inputs

The total OPEB liability in the January 1, 2022 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	3.65% at December 31, 2022
	3.26% at December 31, 2023
Salary Increases	3.50% at December 31, 2022
	3.50% at December 31, 2023
Inflation Assumptions	2.50% at December 31, 2022
	2.50% at December 21, 2023

The selected discount rate was based on the Bond Buyer 20 Bond GO Index as of the measurement date, which represents the average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody’s Aa2 and Standard & Poor’s AA.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 19 - Post-Retirement Benefits Other Than Pensions (Cont'd)

Actuarial Assumptions and Other Inputs (Cont'd)

Health Care Trend Rates	Year	Pre 65 Medical *	Post 65 Medical *	Prescription Drug *	Medicare Part B
Year 1 Trend	2022	5.40%	4.50%	6.40%	5.00%
Ultimate Trend	2027 & Later	4.50%	4.50%	4.50%	5.00%

* - The ultimate trend for Pre 65 Medical and Prescription Durg are reached in 2027.

Mortality rates were based on the following:

Pre-Retirement: PUB-2010 (S) Headcount-Weighted Healthy Employee Male/Female Mortality Projected with Scale MP-2021.

Post-Retirement: PUB-2010 (G) Headcount-Weighted Healthy Annuitant Male/Female Mortality Projected with Scale MP-2021.

Disabled: PUB-2010 (S) Headcount-Weighted Disabled Employee Male/Female Mortality Projected with Scale MP-2021.

Changes in the Total OPEB Liability

	<u>Total OPEB Liability</u>
Balance at January 1, 2023	\$ 33,316,404
Changes for Year:	
Service Cost	617,942
Interest Cost	1,223,754
Benefit Payments	(813,654)
Actuarial Assumption Changes	<u>2,089,606</u>
Net Changes	<u>3,117,648</u>
Balance at December 31, 2023	<u>\$ 36,434,052</u>

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 19 - Post-Retirement Benefits Other Than Pensions (Cont'd)

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

The following presents the total OPEB liability of the County as well as what the County's total OPEB liability would be if it were calculated using a discount rate that is 1 percentage lower (2.26 percent) or 1 percentage higher (4.26 percent) than the current discount rate:

	December 31, 2023		
	1% Decrease (2.26%)	Discount Rate (3.26%)	1% Increase (4.26%)
	Net OPEB Liability	\$ 43,008,318	\$ 36,434,052

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

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

	December 31, 2023		
	1% Decrease	Valuation Healthcare Trend Rates	1% Increase
	Net OPEB Liability	\$ 30,329,673	\$ 36,434,052

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

For the year ended December 31, 2023, the Authority's OPEB expense was \$2,320,394 as determined by the actuarial valuation.

At December 31, 2023, the Authority had deferred outflows inflows of resources related to OPEB from the following sources:

	Deferral Year	Amortization Period in Years	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual demographic experience	2022	4.00		\$ 158,328
	2023	4.00	\$ 1,567,204	
Changes of assumptions	2021	4.00	202,506	
	2022	4.00		4,059,803
			\$ 1,769,710	\$ 4,218,131

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2023
(Continued)

Note 19 - Post-Retirement Benefits Other Than Pensions (Cont'd)

OPEB Expense and Deferred Outflows and Inflows of Resources Related to OPEB (Cont'd)

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

<u>Year Ending December 31,</u>	<u>Total</u>
2024	\$ (1,313,464)
2025	(1,485,287)
2026	<u>350,331</u>
	<u>\$ (2,448,421)</u>

MORRIS COUNTY MUNICIPAL
UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION AND
SUPPLEMENTARY INFORMATION

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST EIGHT YEARS

	Year Ending June 30,							
	2015	2016	2017	2018	2019	2020	2021	2022
Authority's proportion of the net pension liability	0.0455600221%	0.0447769470%	0.0420625934%	0.0418100583%	0.0377920166%	0.0424592701%	0.0411936911%	0.0441462966%
Authority's proportionate share of the net pension liability	\$ 10,227,312	\$ 13,261,652	\$ 9,791,506	\$ 8,232,200	\$ 6,809,539	\$ 6,924,004	\$ 4,880,010	\$ 6,662,281
Authority's covered employee payroll	\$ 2,790,127	\$ 2,606,640	\$ 2,889,347	\$ 3,053,428	\$ 3,198,643	\$ 3,041,043	\$ 3,115,605	\$ 3,216,623
Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll	366.55%	508.76%	338.88%	269.61%	212.89%	227.69%	156.63%	207.12%
Plan fiduciary net position as a percentage of the total pension liability	47.93%	40.14%	48.10%	53.60%	56.27%	58.32%	70.33%	62.91%

Note 1: The NJ Division of Pensions and Benefits has not released the June 30, 2023 report as of the date of this report.

Note 2: This schedule does not contain ten years of information as GASB No. 68 was implemented during the year ended December 31, 2015.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF AUTHORITY CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST NINE YEARS

	Year Ending June 30,								
	2015	2016	2017	2018	2019	2020	2021	2022	2023
Contractually required contribution	\$ 279,048	\$ 391,694	\$ 397,792	\$ 395,673	\$ 417,958	\$ 429,895	\$ 464,483	\$ 482,426	\$ 556,706
Contributions in relation to the contractually required contribution	(279,048)	(391,694)	(397,792)	(395,673)	(417,958)	(429,895)	(464,483)	(482,426)	(556,706)
Contribution deficiency/(excess)	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-	\$ -0-
Authority's covered employee payroll	\$ 2,713,266	\$ 2,670,880	\$ 2,967,799	\$ 3,238,119	\$ 3,087,834	\$ 3,018,761	\$ 3,214,108	\$ 3,291,981	\$ 3,356,725
Contributions as a percentage of covered employee payroll	10.28%	14.67%	13.40%	12.22%	13.54%	14.24%	14.45%	14.65%	16.58%

Note: This schedule does not contain ten years of information as GASB No. 68 was implemented during the year ended December 31, 2015.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF CHANGES IN THE AUTHORITY'S NET OPEB
LIABILITY AND RELATED RATIOS
OTHER POST-RETIREMENT BENEFITS
LAST SIX YEARS

	Year Ending December 31,					
	2018	2019	2020	2021	2022	2023
Total OPEB Liability:						
Service Cost	\$ 817,723	\$ 645,980	\$ 796,450	\$ 977,099	\$ 973,469	\$ 617,942
Interest Cost	1,124,567	1,199,635	973,004	847,283	846,305	1,223,754
Benefit Payments	(559,905)	(603,696)	(696,518)	(758,571)	(753,654)	(813,654)
Actuarial Assumption Changes	(4,092,118)	5,807,327	2,623,171	810,021	(8,119,607)	2,089,606
Actuarial Demographic Gain	(1,000,411)	1,960	180,824		(316,656)	
Net Change in Total OPEB Liability	(3,710,144)	7,051,206	3,876,931	1,875,832	(7,370,143)	3,117,648
Total OPEB Liability - Beginning	31,592,722	27,882,578	34,933,784	38,810,715	40,686,547	33,316,404
Total OPEB Liability - Ending	\$ 27,882,578	\$ 34,933,784	\$ 38,810,715	\$ 40,686,547	\$ 33,316,404	\$ 36,434,052
Plan Fiduciary Net Position:						
Employer Contributions	\$ 559,905	\$ 603,696	\$ 696,518	\$ 758,571	\$ 753,654	\$ 813,654
Benefit Payments	(559,905)	(603,696)	(696,518)	(758,571)	(753,654)	(813,654)
Net Change in Plan Fiduciary Net Position	-0-	-0-	-0-	-0-	-0-	-0-
Plan Fiduciary Net Position - Beginning	-0-	-0-	-0-	-0-	-0-	-0-
Plan Fiduciary Net Position - Ending	-0-	-0-	-0-	-0-	-0-	-0-
Authority's Net OPEB Liability	\$ 27,882,578	\$ 34,933,784	\$ 38,810,715	\$ 40,686,547	\$ 33,316,404	\$ 36,434,052
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	N/A	N/A	N/A	N/A	N/A	N/A
Authority's Covered Employee Payroll	\$ 3,053,428	\$ 3,198,643	\$ 3,041,043	\$ 3,115,605	\$ 3,216,623	\$ 3,385,096
Authority's Net OPEB Liability as a Percentage of Covered Employee Payroll	10.95%	9.16%	7.84%	7.66%	9.65%	9.29%
N/A - Not Applicable						

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the year ended December 31, 2018.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION SCHEDULES
SCHEDULE OF AUTHORITY CONTRIBUTIONS
OTHER POST-RETIREMENT BENEFITS
LAST SIX YEARS

	Year ending December 31,					
	2018	2019	2020	2021	2022	2023
Actuarially Determined Contribution	\$ 559,905	\$ 603,696	\$ 696,518	\$ 758,571	\$ 753,654	\$ 813,654
Contributions in Relation to the Actuarially Determined Contribution	(559,905)	(603,696)	(696,518)	(758,571)	(753,654)	(813,654)
Contribution Deficiency (Excess)	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>
Authority's Covered Employee Payroll	\$ 3,238,119	\$ 3,087,834	\$ 3,018,761	\$ 3,214,108	\$ 3,291,981	\$ 3,356,725
Contributions as a Percentage of Covered Employee Payroll	17.29%	19.55%	23.07%	23.60%	22.89%	24.24%

Note: This schedule does not contain ten years of information as GASB No. 75 was implemented during the year ended December 31, 2018.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED DECEMBER 31, 2023

A. PUBLIC EMPLOYEES' RETIREMENT SYSTEM

Benefit Changes

There were none.

Changes of Actuarial Assumptions

In the July 1, 2021 actuarial valuation the salary increases were 2.75% – 6.55% based on years of service while in the July 1, 2020 actuarial valuation the salary increases were 2.00%-6.00% through 2026 and 3.00-7.00% thereafter based on years of service.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. The actuarial assumptions used in the July 1, 2020 actuarial valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

B. AUTHORITY'S OPEB PLAN

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 3.65% as of December 31, 2022 to 3.26% as of December 31, 2023.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION - WATER DIVISION
AND SOLID WASTE DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2023

	Total	Water Division	Solid Waste Division
Operating Revenue:			
Water Charges	\$ 4,655,358	\$ 4,655,358	
Tipping Fees	50,664,937		\$ 50,664,937
Vegetative Waste Receipts	533,305		533,305
Other Receipts - Water Division	197,222	197,222	
Other Receipts - Solid Waste Division	72,061		72,061
Household Hazardous Waste	58,276		58,276
Curbside Recycling Receipts	1,828,159		1,828,159
Total Operating Revenue	<u>58,009,318</u>	<u>4,852,580</u>	<u>53,156,738</u>
Operating Expenses:			
Water Division Expenses	2,651,780	2,651,780	
Solid Waste Division Expenses	47,711,342		47,711,342
Depreciation	2,329,401	967,895	1,361,506
Total Operating Expenses	<u>52,692,523</u>	<u>3,619,675</u>	<u>49,072,848</u>
Operating Income	<u>5,316,795</u>	<u>1,232,905</u>	<u>4,083,890</u>
Nonoperating Revenue:			
State of NJ Grant Revenue:			
Clean Communities Grant	110,068		110,068
Recycling Enhancement Grant	348,300		348,300
Interest Earned on Investments	2,769,926	629,370	2,140,556
Sale of Assets (Pipeline)	1,080,000	1,080,000	
Total Nonoperating Revenue	<u>4,308,294</u>	<u>1,709,370</u>	<u>2,598,924</u>
Change in Net Position Before Other Items	9,625,089	2,942,275	6,682,814
Other Items:			
Cancellation of Prior Year Accounts Payable	50,673	46,065	4,608
Disposal of Capital Assets, Net of Accumulated Depreciation	(12,198)		(12,198)
Total Other Items	<u>38,475</u>	<u>46,065</u>	<u>(7,590)</u>
Change in Net Position	9,663,564	2,988,340	6,675,224
Net Position, Beginning of Year	<u>52,076,722</u>	<u>27,595,069</u>	<u>24,481,653</u>
Net Position, End of Year	<u>\$ 61,740,286</u>	<u>\$ 30,583,409</u>	<u>\$ 31,156,877</u>

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION - WATER DIVISION
AND SOLID WASTE DIVISION
FOR THE YEAR ENDED DECEMBER 31, 2023
(Continued)

	<u>Total</u>	<u>Water Division</u>	<u>Solid Waste Division</u>
Net Position, End of Year	\$ 61,740,286	\$ 30,583,409	\$ 31,156,877
Less: Land	(2,801,724)	(2,756,724)	(45,000)
Less: Construction in Progress	-		
Less: Buildings & Equipment, net of depreciation	(28,824,497)	(16,638,256)	(12,186,241)
Add: Lease Asset, net	(2,503,725)	(1,112)	(2,502,613)
Less: Leases Payable (Total Due)	2,395,243	1,098	2,394,145
	<u>\$ 30,005,583</u>	<u>\$ 11,188,415</u>	<u>\$ 18,817,168</u>

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE AND EXPENSES
COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2023
(With Comparative Totals for 2022)

	Original Budget	Budget After Mod- ification	2023 Actual	2022 Actual
Revenue:				
Fund Balance Utilized	\$ 164,304	\$ 164,304	\$ 164,304	\$ 2,510,640
Water Charges	4,558,800	4,558,800	4,655,358	4,731,399
Tipping Fees	48,375,000	50,666,700	50,664,937	48,299,482
Vegetative Waste Receipts	542,000	542,000	533,305	570,253
Interest Earned on Investments	400,000	400,000	2,769,926	599,174
Other Receipts - Water	5,000	5,000	197,222	472,262
Other Receipts - Solid Waste			72,061	187,110
Household Hazardous Waste	52,700	52,700	58,276	43,008
Curbside Recycling Receipts	2,214,892	2,214,892	1,828,159	2,540,169
Sale of Assets (Pipeline)			1,080,000	
State of NJ Grant Revenue:				
Clean Communities Grant		112,781	110,068	81,743
Recycling Enhancement Grant	300,000	300,000	348,300	384,235
Air Quality Regulations Grant				164,172
Total Revenue	\$ 56,612,696	\$ 59,017,177	\$ 62,481,916	\$ 60,583,647
Water Division Expenses:				
Salaries:				
Administration	\$ 282,593	\$ 218,593	\$ 203,842	\$ 196,505
Operating	457,320	457,320	425,216	411,111
	739,913	675,913	629,058	607,616
Other Expenses:				
Legal	65,000	125,000	101,530	56,890
Audit	26,640	26,640	24,650	13,140
Employee Benefits	522,978	522,978	196,676	52,718
Administrative and Insurance	128,773	128,773	98,951	102,415
Engineering and Professional Services	235,000	235,000	231,622	113,376
Legal Advertising	3,000	3,000	2,892	2,945
Travel and Training	2,400	2,400	1,762	349
Office Supplies	10,000	10,000	7,211	2,576
Equipment	120,000	120,000	9,305	1,651
Vehicle Purchase	60,000	60,000		
Repairs and Replacements	80,000	80,000	42,161	58,147
Electric Power	650,000	650,000	598,500	521,872
Chlorine and Chemicals	25,000	29,000	21,810	17,573
Environmental Costs	15,000	15,000	11,223	4,003
Gasoline, Oil, etc.	15,000	15,000	13,008	13,118
Heating, Fuel, Oil, Boiler	10,000	10,000	9,962	8,577
Telephone, Lease Lines, Laboratory	41,000	41,000	35,877	33,895
Provision for Depreciation (Non-Budgeted)			967,895	688,959

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE AND EXPENSES
COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2023
(With Comparative Totals for 2022)
(Continued)

	Original Budget	Budget After Mod- ification	2023 Actual	2022 Actual
Water Division Expenses (Cont'd):				
Other Expenses (Cont'd):				
Capital Improvements	\$ 1,790,000	\$ 1,790,000	\$ 153,695	\$ 793,720
Real Estate Taxes	135,000	135,000	129,549	125,465
Fees and Permits	30,000	30,000	29,570	27,242
SMCMUA Water Agreement	12,000	12,000	9,914	29,966
Vehicle Replacement	6,500	6,500	2,495	3,229
Laboratory Analysis	20,000	20,000	15,400	10,098
Tools and Equipment	4,000	4,000	323	3,885
Tools and Equipment Repairs	1,000	1,000		82
Uniforms	5,000	5,000	3,500	2,740
Minor Construction	25,000	25,000		1,096
Administration Building Rent	8,000	8,000	7,608	7,384
Facility Maintenance	40,000	40,000	37,388	17,658
Tipping Fees	500	500		
Water and Sewer Fees	1,400	1,400	129	827
Other Postemployment Benefits (Non-budgeted)			226,011	587
	<u>4,088,191</u>	<u>4,152,191</u>	<u>2,990,617</u>	<u>2,716,183</u>
Total Water Division Expenses	<u>4,828,104</u>	<u>4,828,104</u>	<u>3,619,675</u>	<u>3,323,799</u>
Solid Waste Division Expenses:				
Salaries:				
Administration	926,843	1,026,843	948,397	856,364
Operating	2,977,013	2,877,013	2,685,050	2,683,532
	<u>3,903,856</u>	<u>3,903,856</u>	<u>3,633,447</u>	<u>3,539,896</u>
Other Expenses:				
Audit	133,680	133,680	102,472	39,420
Employee Benefits	3,090,478	3,090,478	1,715,022	1,169,667
Administrative and Insurance	376,318	376,318	297,854	310,160
Travel and Training	28,415	28,415	12,683	10,006
Office and Computer Equipment	21,650	21,650	17,699	19,869
Office Supplies	23,000	23,000	22,393	20,087
Legal	60,000	60,000	40,262	30,753
Consulting Engineer	20,000	20,000	19,863	7,304
Legal Advertising	7,000	7,000	2,785	4,452
Gasoline, Oil, etc.	4,000	4,000	1,610	2,341
Telephone, Lease Lines, Laboratory	19,000	19,000	11,999	14,775
Spare Parts and Maintenance	70,211	70,211	69,291	69,132

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF REVENUE AND EXPENSES
COMPARED TO BUDGET
YEAR ENDED DECEMBER 31, 2023
(With Comparative Totals for 2022)
(Continued)

	Original Budget	Budget After Mod- ification	2023 Actual	2022 Actual
Solid Waste Division Expenses (Cont'd):				
Expenses (Cont'd):				
Other Expenses (Cont'd):				
Vehicle Maintenance	\$ 2,500	\$ 2,500		
Provision for Depreciation (Non-Budgeted)			\$ 1,361,506	\$ 1,334,258
Vegetative Waste Costs	593,600	593,600	263,875	227,674
Household Hazardous Waste	695,300	695,300	179,855	127,995
Curbside Recycling	1,458,550	1,458,550	539,804	606,696
Project Reserve	1,641,050	1,141,050	65,060	45,412
Special Projects	35,000	35,000	31,149	7,889
Fees and Permits	17,000	17,000	15,915	12,462
Administration Building Rent	24,100	24,100	22,826	22,154
Par-Troy Lease Agreement	266,181	266,181	247,097	237,687
Operation and Maintenance - Transfer Station	37,085,117	39,876,817	38,659,284	40,786,016
Operation and Maintenance Reserve	2,208,586	2,208,586		
Other Postemployment Benefits (Non-budgeted)			1,280,729	3,323
Clean Communities Grant Expenses		112,781	110,068	81,743
Recycling Enhancement Grant			348,300	384,235
	<u>47,880,736</u>	<u>50,285,217</u>	<u>45,439,401</u>	<u>45,575,510</u>
Total Solid Waste Division Expenses	<u>51,784,592</u>	<u>54,189,073</u>	<u>49,072,848</u>	<u>49,115,406</u>
Total Expenses	<u>\$ 56,612,696</u>	<u>\$ 59,017,177</u>	<u>\$ 52,692,523</u>	<u>\$ 52,439,205</u>
Revenue Over/(Under) Expenses			\$ 9,789,393	\$ 8,144,442
Less: Unrestricted Fund Balance Utilized			<u>164,304</u>	<u>2,510,640</u>
Net Income			<u>\$ 9,625,089</u>	<u>\$ 5,633,802</u>

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF OBLIGATIONS UNDER LEASES
FOR THE YEAR ENDED DECEMBER 31, 2023

<u>Purpose</u>	<u>Interest Rate</u>	<u>Original Issue</u>	<u>Balance Dec. 31, 2022</u>	<u>Matured</u>	<u>Balance Dec. 31, 2023</u>
Dalrymple House	3.000%	\$ 133,486	\$ 31,069	\$ 26,678	\$ 4,391
Transfer Station Site	3.000%	4,436,636	<u>2,580,037</u>	<u>189,185</u>	<u>2,390,852</u>
			<u>\$ 2,611,106</u>	<u>\$ 215,863</u>	<u>\$ 2,395,243</u>

SINGLE AUDIT SECTION

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2023

NOT APPLICABLE

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED DECEMBER 31, 2023

State Funding Department	State Program	State Grant Award Number	Grant Period		Grant Award Amount	Amount Received	Amount of Current Year Expenditures	Cumulative Expenditures
			From	To				
Department of Environ- mental Protection	Recycling Enhancement Grant	100-042-4910-	01/01/22	6/30/23	\$ 356,400	\$ 356,400	\$ 356,400	
		224-VREF-6010	01/01/23	6/30/24	348,300	348,300	348,300	
					704,700	348,300	704,700	
	Clean Communities Grant	765-042-4900-	01/01/22	12/31/24	100,624	22,267	100,034	
		005-V42Y-6010	01/01/23	12/31/24	112,781	87,801	87,801	
					112,781	110,068	187,835	
					\$ 817,481	\$ 458,368	\$ 892,535	

SEE ACCOMPANYING NOTES TO SCHEDULES OF EXPENDITURES OF STATE AWARDS

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
YEAR ENDED DECEMBER 31, 2023

Note 1. BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the “schedules”) include the federal and state grant activity of the Morris County Municipal Utilities Authority (the “Authority”) under programs of the federal and state governments for the year ended December 31, 2023. The information in these schedules is presented in accordance with the requirements of the Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (“Uniform Guidance”) and New Jersey’s OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Because the schedules present only a selected portion of the operations of the Authority, they are not intended to and do not present the financial position, changes in net position or cash flows of the Authority.

Note 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the accompanying schedules of expenditures of federal and state awards are reported on the cash basis of accounting. Such expenditures are recognized following the cost principles contained in Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts, if any, shown on the Schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through identifying numbers are presented where available. The Authority has elected not to use the 10 percent de minimis indirect cost rate as allowed under the Uniform Guidance.

Note 3. RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS

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

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*

Independent Auditors' Report

The Honorable Chairman and Members
of the Morris County Municipal
Utilities Authority
Randolph, NJ

We have audited, in accordance with auditing standards generally accepted in the United States of America, audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("the Division"), 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 Morris County Municipal Utilities Authority (the "Authority") as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated April 26, 2024. That report included a qualified opinion on the financial statements as the Authority's net pension liability and the related deferred outflows and inflows of resources reported in the financial statements at December 31, 2023 is based on the June 30, 2022 Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, report for the State of New Jersey Public Employees' Retirement System ("PERS"), from the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey (the "State"). We were unable to obtain the June 30, 2023 GASB No. 68 report as it has not been released by the State as of the date of this report. The amount by which this omission would affect the net pension liability and the related deferred inflows and outflows of resources, net position, and expenses of the Authority has not been determined.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the 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 Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the 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 Authority'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.

The Honorable Chairman and Members
of the Morris County Municipal
Utilities Authority
Page 2

Our consideration of the 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 were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the 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 financial statements. 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 result of that testing, and not to provide an opinion on the effectiveness of the Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Mount Arlington, New Jersey
April 26, 2024

Nisivoccia LLP
NISIVOCCIA LLP

Man C Lee

Man C. Lee
Certified Public Accountant
Registered Municipal Accountant #562

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED DECEMBER 31, 2023

Summary of Auditors' Results:

- The Independent Auditors' Report expresses a qualified opinion on the financial statements of the Authority as the Authority's net pension liability and the related deferred outflows and inflows of resources reported in the financial statements at December 31, 2023 is based on the June 30, 2022 Governmental Accounting Standards Board ("GASB") Statement No. 68, *Accounting and Financial Reporting for Pensions*, report for the State of New Jersey Public Employees' Retirement System ("PERS"), from the Division of Pensions and Benefits, Department of the Treasury, State of New Jersey (the "State"). We were unable to obtain the June 30, 2023 GASB No. 68 report as it has not been released by the State as of the date of this report. The amount by which this omission would affect the net pension liability and the related deferred inflows and outflows of resources, net position, and expenses of the Authority has not been determined.
- There were no material weaknesses or significant deficiencies disclosed during the audit of the financial statements as reported in the *Independent Auditors' 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*.
- No instances of noncompliance material to the financial statements of the Authority which would be required to be reported in accordance with *Government Auditing Standards*, were disclosed during the audit.
- The Authority was not subject to the single audit provisions of the Uniform Guidance and New Jersey OMB's Circular 15-08 for the year ended December 31, 2023 as both state and federal grant expenditures were less than the single audit thresholds of \$750,000 identified in the Uniform Guidance and NJOMB 15-08.

Findings Relating to the Financial Statements which are required to be Reported in Accordance with Generally Accepted Government Auditing Standards:

- The audit did not disclose any findings required to be reported under Generally Accepted Government Auditing Standards

Findings and Questioned Costs for Federal Awards:

- Not applicable since federal expenditures were below the single audit threshold.

Findings and Questioned Costs for State Awards:

- Not applicable since state expenditures were below the single audit threshold.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2023

There were no prior year audit findings.

COMMENTS AND RECOMMENDATIONS

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-4 et seq.

N.J.S. 40A:11-3 states:

a. " When the cost or price of any contract awarded by the contracting 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, except that the governing body of any contracting unit 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 \$25,000. 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.

b. 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 subparagraph (i) of paragraph (a) of subsection (1) of section 5 of P.L. 1971, c.198 (C.40A: 11-5) may be awarded for a period not exceeding 12 consecutive months. The Division of Local Government Services shall adopt and promulgate rules and regulations concerning the methods of accounting for all contracts that do not coincide with the contracting unit's fiscal year.

c. The Governor, in consultation with the Department of the Treasury, shall, no later than March 1 of every fifth year beginning in the fifth year after the year in which P.L.1999, c.440 takes effect, adjust the threshold amount and the higher threshold amount which the governing body is permitted to establish, as set forth in subsection a. of this section, or the threshold amount resulting from any adjustment under this subsection, in direct proportion to the rise or fall of the index rate as that term is defined in section 2 of P.L.1971, c.198 (C.40A11-2), and shall round the adjustment to the nearest \$1,000. The Governor shall, no later than June 1 of every fifth year, notify each governing body of the adjustment. The adjustment shall become effective on July 1 of the year in which it is made."

N.J.S. 40A: 11-4 states: "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 therefore, 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 and thereafter, the bid thresholds in accordance with N.J.S.A. 40A:11-3 are \$17,500 for a contracting unit without a qualified purchasing agent and \$44,000 for a contracting unit with a qualified purchasing agent.

The minutes indicated that bids were requested by public advertising and contracts awarded. The minutes also indicated that resolutions were adopted and advertised, authorizing the awarding of contracts or agreements for professional services per N.J.S. 40A:11-5.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
COMMENTS AND RECOMMENDATIONS
(Continued)

Contracts and Agreements Required to be Advertised Per N.J.S. 40A:11-4 et seq. (Cont'd)

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. None were noted.

Management Suggestion

Governmental Accounting Standards Board (GASB) Statements

GASB Statement No. 101, *Compensated Absences*, is effective for the year ended December 31, 2024. This statement requires that the liability for compensated absences to be calculated for 1 – leave that has not been used and 2 – leave that has been used but not yet paid. The liability should be recognized for leave that has not been used if (a) – the leave is attributable to services already rendered, (b) the leave accumulates and (c) the leave is more likely than not to be used for time off or otherwise paid. In estimating the leave that is more likely than not to be used or otherwise paid or settled, a government should consider relevant factors such as employment policies related to compensated absences and historical information about the use or payment of compensated absences. Leave that is more likely than not to be settled through conversion to defined benefit postemployment benefits should not be included in the liability for compensated absences. The Statement directs that for leave that has not been used the calculation should generally use an employee's pay rate as of the date of the financial statements.

Status of Prior Year Recommendations

There were no prior year audit findings.

MORRIS COUNTY MUNICIPAL UTILITIES AUTHORITY
SUMMARY OF RECOMMENDATIONS

There are no recommendations.

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