

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

June 30, 2023

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

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## **INDEPENDENT AUDITORS' REPORT**

To the Commissioners of  
New Jersey Water Supply Authority

### **Report on the Audits of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the New Jersey Water Supply Authority (a component unit of the State of New Jersey) (the "Authority") as of and for the years ended June 30, 2023 and 2022, and the related notes to the financial statements, which comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Authority as of June 30, 2023 and 2022, and the changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America ("GAAS") and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audits 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 audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

## INDEPENDENT AUDITORS' REPORT (CONTINUED)

### ***Auditors' Responsibilities for the Audits 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 auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if 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 and *Government Auditing Standards*, 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.

### ***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 schedules, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board 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 GAAS, 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 audits of the basic financial statements. We do not express an opinion or provide any assurance on the information

## **INDEPENDENT AUDITORS' REPORT (CONTINUED)**

### ***Required Supplementary Information (Continued)***

because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Other Supplementary Information***

Our audit was conducted for the purpose of forming an opinion on the financial statements that comprise the Authority's basic financial statements. The other supplementary information, as listed in table of contents, is presented for purposes of additional analysis and is 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 GAAS. In our opinion, the other supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is 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 the Authority's internal control over financial reporting and compliance.

*Mercedien, P.C.*

*Certified Public Accountants*

November 2, 2023

**MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)**



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Year Ended June 30, 2023

This section of the Annual Financial Report of the New Jersey Water Supply Authority (the "Authority"), a Component Unit of the State of New Jersey, presents discussion and analysis of the Authority's financial performance during the fiscal years ended June 30, 2023 and June 30, 2022. Please read it in conjunction with the Authority's basic financial statements and accompanying notes.

### FINANCIAL HIGHLIGHTS – FISCAL YEAR 2023

- Operating revenue for fiscal year 2023 was \$35.0 million, a 5.0% increase over fiscal year 2022, which was the result of a 6.3% increase in Raritan sales and a 2.6% increase in Manasquan sales. In the Raritan Basin System, rates remained at \$336.00 per million gallons, and the sales base remained 182.339 million gallons per day ("mgd"). In the Manasquan Reservoir System, rates remained at \$1,010.75 per million gallons. The fiscal year 2023 sales base remained at 19.443 mgd. Income from operations increased 10.3% for the Raritan System and decreased 6.7% for the Manasquan System.
- Total operating expenses for fiscal year 2023 increased to \$22.2 million, which represents a 5.2% increase from fiscal year 2022. The increase was primarily due to an increase in fringe benefits related to GASB 68 Public Employees' Retirement System (PERS).
- Non-operating revenue increased 74.4% from \$2.4 million in fiscal year 2022 to \$4.2 million in 2023, primarily because of an increase in investment income.
- Non-operating expenses for fiscal year 2023 decreased 1.1%, primarily related to a decrease in water treatment plant deferred revenue offset by an increase in interest component of debt service to the State of New Jersey.
- Unrestricted cash and cash equivalents for fiscal year 2023 were \$56.3 million, a decrease of 18.4% compared to fiscal year 2022. Restricted cash and cash equivalents decreased by \$15.8 million from fiscal year 2022 to 2023. These decreases are offset by an increase in investments of \$34.7 million in fiscal year 2023.
- Total liabilities for fiscal year 2023 decreased by 0.7% from \$212.0 to \$210.6 million due to a decrease in long-term debt offset by an increase in unearned revenue. In fiscal year 2023, net pension liability increased by \$3.9 million and net OPEB liability decreased by \$3.4 million.
- Deferred outflows of resources increased in fiscal year 2023 from \$14.3 million to \$17.1 million (19.4%), mostly due to GASB 62 cost recovery.
- Deferred inflows of resources for fiscal year 2023 were \$19.5 million, a decrease of 12.7% compared to fiscal year 2022 mainly to decreases in the pension deferred inflows of resources offset by an increase in OPEB deferred inflows of resources.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Year Ended June 30, 2023

### FINANCIAL HIGHLIGHTS – FISCAL YEAR 2022

- Operating revenue for fiscal year 2022 was \$33.4 million, a 2.0% increase over fiscal year 2021, which was the result of a 3.2% increase in Raritan sales and a 0.7% decrease in Manasquan sales. In the Raritan Basin System, rates remained at \$336.00 per million gallons, and the sales base remained 182.339 million gallons per day (“mgd”). In the Manasquan Reservoir System, rates remained at \$1,010.75 per million gallons. The fiscal year 2022 sales base remained at 19.443 mgd. Income from operations decreased 15.8% for the Raritan System and decreased 1.8% for the Manasquan System.
- Total operating expenses for fiscal year 2022 increased to \$21.1 million, which represents a 13.0% increase from fiscal year 2021. The increase was primarily due to an increase in operating and maintenance expenses related to Hurricane Ida repairs.
- Other changes for fiscal year 2022 include the following: non-operating revenue increased 830.2% to \$2.4 million, primarily because of an increase in recovery of deferred outflows of resources related to cost recovery category.
- Non-operating expenses for fiscal year 2022 increased 8.8% to \$1.3 million, primarily related to an increase in the interest component of debt service to the State of New Jersey.
- Unrestricted cash and cash equivalents for fiscal year 2022 were \$68.9 million, an increase of 4.5% compared to fiscal year 2021.
- Total liabilities for fiscal year 2022 were \$212.0 million. This is a decrease of 3.4% from fiscal year 2021 and reflects a decrease in net pension liability and the continued paydown of long-term debt.
- Deferred outflows of resources increased 8.5% mainly due to an increase in the Cost Recovery category. Deferred inflows of resources decreased 0.5% primarily due to a decrease in OPEB offset by an increase in the pension category.





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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Year Ended June 30, 2023

### OVERVIEW OF THE FINANCIAL STATEMENTS

The annual financial report consists of two parts: Management's Discussion and Analysis (this section) and the financial statements. The Authority is a self-supporting entity and follows enterprise fund accounting. The enterprise fund concept is similar to the manner in which private business enterprises are financed and operated. The Authority presents its financial statements on the accrual basis of accounting. The statements offer short and long-term financial information about the activities and operations of the Authority. The intent is that the costs of providing service to water users on a continuing basis are financed primarily through user charges. The Authority has established certain restricted "funds or accounts," as directed by internal resolution and bond indentures. In an effort to ensure compliance with the Authority's by-laws and to safeguard its assets, internal controls have been developed and implemented by management. These internal controls include policies, procedures, approved organizational structures and approved budgets for capital and operating expenditures.

### FINANCIAL ANALYSIS OF THE AUTHORITY

The Authority's total net position was approximately \$151.1 million as of June 30, 2023. In fiscal year 2023, total assets and deferred outflows increased 3.1% to \$381.2 million, primarily due to an increase in investments. Total liabilities decreased 0.7% to \$210.6 million. Total net position as of June 30, 2022, was approximately \$135.3 million. Total assets and deferred outflows at June 30, 2022, increased 1.1% to \$369.1 million, primarily due to investments in capital assets, offset by a decrease in unrestricted current assets. Total liabilities decreased 3.4% to \$212.0 million. Changes in assets, liabilities and net position at June 30, 2023, 2022 and 2021 are summarized in the following table:



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2023

### FINANCIAL ANALYSIS OF THE AUTHORITY (CONTINUED)

	2023	2022*	2021*	Percentage Change 2023-2022	Percentage Change 2022-2021
<b>Assets and deferred outflows of resources</b>					
Current assets	\$ 93,979,815	\$ 131,609,253	\$ 142,794,658	(28.59) %	(7.83) %
Capital assets, net	235,324,883	223,816,244	207,739,965	5.14	7.74
Other non-current assets	34,751,456	-	247,989	100.00	(100.00)
Total assets	364,056,154	355,425,497	350,782,612	2.43	1.32
Deferred outflows of resources	17,117,065	14,333,722	13,208,303	19.42	8.52
<b>Total assets and deferred outflows of resources</b>	<b>\$ 381,173,219</b>	<b>\$ 369,759,219</b>	<b>\$ 363,990,915</b>	<b>3.09</b>	<b>1.58</b>
<b>Liabilities, deferred inflows of resources, and net position</b>					
Current liabilities	\$ 17,128,163	\$ 15,857,254	\$ 15,808,252	8.01	0.31
Non-current liabilities	43,788,940	43,322,867	47,186,377	1.08	(8.19)
Non-current portion of bonds, notes and loans payable	149,640,545	152,855,075	156,503,688	(2.10)	(2.33)
Total liabilities	210,557,648	212,035,196	219,498,317	(0.70)	(3.40)
Deferred inflows of resources	19,538,214	22,378,361	22,479,251	(12.69)	(0.45)
Net investment in capital assets	107,918,240	93,104,101	73,667,713	15.91	26.38
Restricted for cash, investments and unearned revenue	13,289,738	30,166,251	27,135,716	(55.95)	11.17
Unrestricted	29,869,379	12,075,310	21,209,918	147.36	(43.07)
Total net position	151,077,357	135,345,662	122,013,347	11.62	10.93
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 381,173,219</b>	<b>\$ 369,759,219</b>	<b>\$ 363,990,915</b>	<b>3.09</b>	<b>1.58</b>

\* Certain account balances have been reclassified or restated to conform with current year presentation.



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**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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Year Ended June 30, 2023

**OPERATING ACTIVITIES**

The Authority operates three separate systems: the Raritan Basin System, the Manasquan Water Supply System, and the Manasquan Water Treatment Plant and Transmission System. The Manasquan Water Treatment Plant and Transmission System is owned by the Southeast Monmouth Municipal Utilities Authority, which sets the rates, and is operated and maintained by the Authority under the terms of an operating agreement. Each system must generate sufficient revenue each year to cover its own operating expenses and debt service. The following rates were adopted at the May 2022 and 2021 Authority meetings, respectively, based on anticipated operating expenses:

	<b>Rate Effective <u>7/01/2022</u></b>	<b>Rate Effective <u>7/01/2021</u></b>	<b><u>Percent Change</u></b>
Raritan Basin System	\$ 336.00/mg	\$ 336.00/mg	- %
Manasquan Water Supply System			
Initial users	\$1,010.75/mg	\$1,010.75/mg	- %
Delayed water users	\$1,124.67/mg	\$1,124.67/mg	- %

The Authority's total operating revenue for fiscal year 2023 was \$35.0 million, an increase of 5.0% from fiscal year 2022, due to a 6.3% increase in Raritan sales and a 2.6% increase in Manasquan water sales. The Authority's total operating expenses for fiscal year 2023 were \$22.2 million, an increase of 5.2% from fiscal year 2022, primarily due to an increase in fringe benefits related to GASB 68 Public Employees' Retirement System (PERS). The Authority's total operating revenue for fiscal year 2022 was \$33.4 million, an increase of 2.0% from fiscal year 2021. The Authority's total operating expenses for fiscal year 2022 were \$21.1 million, an increase of 13.0% from fiscal year 2021. The following table summarizes the changes in revenue, expenses and net position between fiscal years 2023, 2022 and 2021:



## MANAGEMENT'S DISCUSSION AND ANALYSIS

Year Ended June 30, 2023

### OPERATING ACTIVITIES (CONTINUED)

	2023	2022*	2021*	Percentage Change 2023-2022	Percentage Change 2022-2021
Operating revenues:					
Water sales	\$ 32,451,502	\$ 30,775,239	\$ 30,100,645	5.45 %	2.24 %
Reimbursement of operating expenses	2,580,000	2,580,000	2,609,112	-	(1.12)
Total operating revenues	<u>35,031,502</u>	<u>33,355,239</u>	<u>32,709,757</u>	5.03	1.97
Non-operating revenues:					
State of New Jersey - Grant Programs	820,500	237,951	218,765	244.82	8.77
Investment and interest income	1,349,747	103,990	169,069	1,197.96	(38.49)
Rental income	60,987	60,419	65,489	0.94	(7.74)
Other income	69,467	52,900	6,948	31.32	661.37
Recovery of deferred outflows of resources	1,949,277	1,981,063	(793,937)	(1.60)	349.52
Total non-operating revenues	<u>4,249,978</u>	<u>2,436,323</u>	<u>(333,666)</u>	74.44	830.17
Total revenues	<u>39,281,480</u>	<u>35,791,562</u>	<u>32,376,091</u>	9.75	10.55
Operating expenses:					
Payroll	8,312,516	8,232,535	7,884,810	0.97	4.41
Operations and maintenance	7,280,361	6,800,089	5,461,461	7.06	24.51
Fringe benefits	1,727,350	1,362,488	647,530	26.78	110.41
Depreciation	4,923,717	4,744,222	4,709,941	3.78	0.73
Total operating expenses	<u>22,243,944</u>	<u>21,139,334</u>	<u>18,703,742</u>	5.23	13.02
Non-operating expenses:					
Interest component of debt service to the State of New Jersey	665,889	604,151	372,069	10.22	62.38
SMMUA operations, net	639,952	715,762	841,399	(10.59)	(14.93)
Total non-operating expenses	<u>1,305,841</u>	<u>1,319,913</u>	<u>1,213,468</u>	(1.07)	8.77
Total Expenses	<u>23,549,785</u>	<u>22,459,247</u>	<u>19,917,210</u>	4.86	12.76
Changes in net position	<u>15,731,695</u>	<u>13,332,315</u>	<u>12,458,881</u>	18.00	7.01
Net position, beginning of year, as restated	135,345,662	122,013,347	-	10.93	100.00
Net position, beginning of year, as previously reported	-	-	109,554,466	-	(100.00)
Net position, end of year, as previously reported	-	-	122,013,313	-	(100.00)
GASB 87 adjustment	-	-	34	-	(100.00)
Net position, end of year, as restated	<u>\$ 151,077,357</u>	<u>\$ 135,345,662</u>	<u>\$ 122,013,347</u>	11.62	10.93

\* Certain account balances have been reclassified or restated to conform with current year presentation.

### CAPITAL ASSETS AND DEBT ADMINISTRATION

At June 30, 2023, the Authority had a total of \$235,324,883 invested in the Systems that it operates: \$189,746,975 invested in the Raritan Basin System, and \$45,577,908 invested in the Manasquan System. This total amount represents a 5.14% increase from last year. At June 30, 2022, the Authority had a total of \$223,816,244 invested in the Systems that it operates: \$176,725,120 invested in the Raritan Basin System, and \$47,091,124 invested in the Manasquan System. This total amount represents a 7.7% increase from the prior year.

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

Year Ended June 30, 2023

**CAPITAL ASSETS AND DEBT ADMINISTRATION (CONTINUED)**

The following table summarizes the changes in capital assets, net of depreciation, between fiscal years 2023, 2022 and 2021:

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Percentage Change 2023-2022</b>	<b>Percentage Change 2022-2021</b>
Land and land rights	\$ <b>25,648,119</b>	\$ 26,444,952	\$ 26,444,952	(3.01) %	- %
Dams	<b>42,724,719</b>	43,486,485	44,248,251	(1.75)	(1.72)
Building, structures and improvements	<b>43,467,405</b>	46,834,126	45,995,010	(7.19)	1.82
Machinery and equipment	<b>2,509,878</b>	2,006,536	1,503,309	25.09	33.47
Leased equipment	<b>24,212</b>	33,896	7,032	(28.57)	382.03
Construction work in progress	<b>120,950,550</b>	105,010,249	89,541,411	15.18	17.28
Total capital assets	<b>\$ 235,324,883</b>	\$ 223,816,244	\$ 207,739,965	5.14	7.74

More detailed information about the Authority's capital assets is presented in Note C to the basic financial statements.

The following table summarizes the changes in capital debt between fiscal years 2023, 2022 and 2021:

	<b>2023</b>	<b>2022</b>	<b>2021</b>	<b>Percentage Change 2023-2022</b>	<b>Percentage Change 2022-2021</b>
Bonds payable	\$ <b>5,021,291</b>	\$ 5,488,656	\$ 5,936,022	(8.52) %	(7.54) %
Notes payable	<b>33,566,892</b>	33,566,892	33,566,892	-	-
Loans payable	<b>114,168,508</b>	116,982,962	119,872,023	(2.41)	(2.41)
Total	<b>\$ 152,756,691</b>	\$ 156,038,510	\$ 159,374,937	(2.10)	(2.09)

At year end, the Authority had \$152,756,691 in bonds, notes and loans principal outstanding, compared to \$156,038,510 at June 30, 2022. This change represents a decrease of 2.1%. The change in bonds, notes and loans principal outstanding at June 30, 2022, compared to the total of \$159,374,937 at June 30, 2021, represents a decrease of 2.1%, as shown in the above table.

More detailed information about the Authority's long-term debt is presented in Note E to the basic financial statements.



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## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Year Ended June 30, 2023

### CURRENT AND NEW BUSINESS

During fiscal years 2023 and 2022, the Authority supplied water to 30 contractual customers of the Raritan Basin System, who, in turn, supplied water to approximately 1,500,000 people in central New Jersey. Two customers accounted for approximately 86% and 85% in 2023 and 2022, respectively, of total Raritan Basin System operating revenue. There is no expected change in the sales base of the Raritan Basin System of 182.339 mgd in fiscal year 2024. Effective July 1, 2023, Raritan Basin System water rates increased to \$365.00 per million gallons, or 8.6%.

During fiscal years 2023 and 2022, the Authority provided water to 12 contractual customers of the Manasquan Water Supply System, who provided water to approximately 250,000 people in the Monmouth County area. Two customers accounted for approximately 86% and 85% in 2023 and 2022, respectively, of the total Manasquan System operating revenue. There is no expected change in the sales base of the Manasquan Water Supply System of 19.443 mgd in fiscal year 2024. There were no changes to the Manasquan Water Supply System water rates for fiscal year 2024.

### CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide the water customers, New Jersey citizens, investors and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability as a self-supporting entity. The Authority's overall financial position has improved; total net position has increased and the Authority continues to receive favorable bond ratings. If you have questions about this report or need additional financial information, you can contact the New Jersey Water Supply Authority at 1851 Highway 31, P.O. Box 5196, Clinton, New Jersey 08809, (908) 638-6121 or visit our website at [www.njwsa.org](http://www.njwsa.org).

## **BASIC FINANCIAL STATEMENTS**

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**STATEMENTS OF NET POSITION**

	June 30,	
	2023	2022*
<b>Assets</b>		
Current assets:		
Unrestricted assets:		
Cash and cash equivalents	\$ 56,288,289	\$ 68,938,148
Unbilled sales	1,853,997	1,749,325
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2023 and 2022	13,967,536	23,904,476
Interest receivable	285,544	-
Prepaid expenses and other current assets	1,760,875	1,387,434
Total unrestricted current assets	<u>74,156,241</u>	<u>95,979,383</u>
Restricted assets:		
Cash equivalents	19,823,574	35,629,870
Total current assets	<u>93,979,815</u>	<u>131,609,253</u>
Non-current assets:		
Investments	34,751,456	-
Capital assets, net	235,324,883	223,816,244
Total non-current assets	<u>270,076,339</u>	<u>223,816,244</u>
Total assets	<u>364,056,154</u>	<u>355,425,497</u>
Deferred outflows of resources:		
Cost recovery	2,672,857	685,718
Pension related	3,016,579	2,085,383
OPEB related	10,685,054	10,820,046
Construction loan DEP fee	742,575	742,575
Total deferred outflows of resources	<u>17,117,065</u>	<u>14,333,722</u>
Total assets and deferred outflows of resources	<u>\$ 381,173,219</u>	<u>\$ 369,759,219</u>
<b>Liabilities</b>		
Current liabilities:		
Current portion of bonds, notes and loans payable	\$ 3,116,146	\$ 3,183,435
Accounts payable	4,550,507	4,356,299
Accrued liabilities	2,927,674	2,853,901
Unearned revenue	6,533,836	5,463,619
Total current liabilities	<u>17,128,163</u>	<u>15,857,254</u>
Non-current liabilities:		
Non-current portion of bonds, notes and loans payable	149,640,545	152,855,075
Lease liability	24,884	34,205
Net pension liability	16,101,898	12,251,099
Net OPEB liability	27,662,158	31,037,563
Total non-current liabilities	<u>193,429,485</u>	<u>196,177,942</u>
Total liabilities	<u>210,557,648</u>	<u>212,035,196</u>
Deferred inflows of resources:		
Pension related	2,796,346	8,086,596
OPEB related	16,528,732	14,054,948
Gain on refunding	213,136	236,817
Total deferred inflows of resources	<u>19,538,214</u>	<u>22,378,361</u>
Total liabilities and deferred inflows of resources	<u>230,095,862</u>	<u>234,413,557</u>
<b>Net Position</b>		
Net investment in capital assets	107,918,240	93,104,101
Restricted for cash, investments and unearned revenue	13,289,738	30,166,251
Unrestricted	29,869,379	12,075,310
Total net position	<u>151,077,357</u>	<u>135,345,662</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 381,173,219</u>	<u>\$ 369,759,219</u>

\*Certain account balances have been reclassified to conform with current year presentation.



**NEW JERSEY WATER SUPPLY AUTHORITY**  
**(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

	<b>Years Ended June 30,</b>	
	<b>2023</b>	<b>2022*</b>
Operating revenues:		
Water sales	<b>\$ 32,451,502</b>	\$ 30,775,239
Reimbursement of operating expenses	<b>2,580,000</b>	2,580,000
Total operating revenues	<b>35,031,502</b>	33,355,239
Operating expenses:		
Payroll	<b>8,312,516</b>	8,232,535
Operations and maintenance	<b>7,280,361</b>	6,800,089
Fringe benefits	<b>1,727,350</b>	1,362,488
Depreciation	<b>4,923,717</b>	4,744,222
Total operating expenses	<b>22,243,944</b>	21,139,334
Income from operations	<b>12,787,558</b>	12,215,905
Non-operating revenues:		
State of New Jersey - Grant Programs	<b>820,500</b>	237,951
Investment and interest income	<b>1,349,747</b>	103,990
Rental income	<b>60,987</b>	60,419
Other income	<b>69,467</b>	52,900
Recovery of deferred outflows of resources	<b>1,949,277</b>	1,981,063
Total non-operating revenues	<b>4,249,978</b>	2,436,323
Non-operating expenses:		
Interest component of debt service to the State of New Jersey	<b>665,889</b>	604,151
SMMUA operations, net	<b>639,952</b>	715,762
Total non-operating expenses	<b>1,305,841</b>	1,319,913
Changes in net position	<b>15,731,695</b>	13,332,315
Net position, beginning of year	<b>135,345,662</b>	122,013,347
Net position, end of year	<b>\$ 151,077,357</b>	\$ 135,345,662

\* Certain account balances have been reclassified to conform with current year presentation.

**NEW JERSEY WATER SUPPLY AUTHORITY  
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**STATEMENTS OF CASH FLOWS**

	Years Ended June 30,	
	2023	2022
<b>Cash flows from operating activities</b>		
Cash received from water sales	\$ 33,312,701	\$ 29,246,329
Cash received from reimbursable expenses	3,244,091	2,643,838
Cash received from rental income	45,946	46,281
Cash paid to or on behalf of employees	(13,342,909)	(12,770,802)
Cash paid to suppliers	(7,805,262)	(6,386,029)
Net cash provided by operating activities	<u>15,454,567</u>	<u>12,779,617</u>
<b>Cash flows from non-capital financing activities</b>		
Cash received for grant programs	85,382	192,324
Net cash provided by non-capital financing activities	<u>85,382</u>	<u>192,324</u>
<b>Cash flows from capital and related financing activities</b>		
Proceeds from borrowing	9,000,866	19,021,110
Principal paid on bonds, notes and loans	(2,875,236)	(3,426,702)
Lease liability	9,321	27,207
Interest paid on bonds, notes and loans	(445,590)	(409,405)
Acquisition and construction of capital assets	(16,042,067)	(21,937,110)
Proceeds from sale of capital assets	62,497	43,805
Net cash used in capital and related financing activities	<u>(10,290,209)</u>	<u>(6,681,095)</u>
<b>Cash flows from investing activities</b>		
Sale of investment securities	-	250,000
Purchase of investment securities	(34,751,456)	(2,011)
Interest received on investments	1,064,203	106,265
Net cash provided/(used) by investing activities	<u>(33,687,253)</u>	<u>354,254</u>
Net increase in cash and cash equivalents	<u>(28,456,155)</u>	<u>6,645,100</u>
Cash and cash equivalents, beginning of year	<u>104,568,018</u>	<u>97,922,918</u>
Cash and cash equivalents, end of year	<u>\$ 76,111,863</u>	<u>\$ 104,568,018</u>
Reconciliation of income from operations to net cash provided by operating activities:		
Income from operations	\$ 12,787,558	\$ 12,215,905
Adjustments to reconcile income from operations to net cash provided by operating activities:		
Cash received for operating activity included in other income	734,234	165,270
Depreciation	4,923,717	4,744,222
Increase (decrease) in cash from:		
Unbilled sales	(104,672)	(168,150)
Accounts receivable	959,789	(1,395,447)
Prepaid expenses and other current assets	(373,441)	374,489
Accounts payable	(150,955)	40,492
Accrued liabilities	(531)	(11,869)
Accrued payroll and taxes	(183,856)	11,833
Net pension liability	(2,370,647)	(2,725,824)
Net OPEB liability	(766,629)	(471,304)
Net cash provided by operating activities	<u>\$ 15,454,567</u>	<u>\$ 12,779,617</u>
<b>Non-cash investing activities</b>		
Increase (decrease) in fair value of investments	<u>\$ (580,521)</u>	<u>\$ 2,011</u>

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

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**A. ORGANIZATION AND OPERATIONS**

The New Jersey Water Supply Authority (the “Authority”), a component unit of the State of New Jersey (the “State”), consisting of the Spruce Run/Round Valley Reservoirs Complex, the Delaware and Raritan Canal Transmission Complex (the “Raritan Basin System”), and the Manasquan Reservoir Water Supply System (the “Manasquan System”), is a public body, corporate and politic, constituted as an instrumentality of the State, exercising public and essential governmental functions. The Authority was created by the New Jersey Water Supply Authority Act (the “Act”) on October 7, 1981, and in connection with the Act, all water supply facilities owned or operated by the State (*i.e.*, *Raritan Basin System*) were transferred or leased to the Authority. The Act empowers the Authority to acquire, finance, construct and operate water systems and issue bonds. Members of the Authority consist of the Commissioner of the New Jersey Department of Environmental Protection (“NJDEP”), an ex officio member and six public members appointed by the Governor upon the advice and consent of the New Jersey Senate. The public members represent the agricultural community, industrial water users, residential water users, private watershed associations, public finance and water resource management and distribution. The Authority prepares an annual budget that is used to establish rates and as a management tool, but the budget does not constitute a legal budget or establish spending limitations.

The Authority does not have component units that should be included within its financial statements.

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**Basis of Accounting**

The Authority is a component unit of the State and is included in their general purpose financial statements.

The accompanying basic financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America as prescribed by the Governmental Accounting Standards Board (“GASB”).

In its accounting and financial reporting, the Authority follows the pronouncements of the GASB and other entities that promulgate accounting principles. GASB Statement 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, establishes the order of priority of pronouncements and other sources of accounting and financial reporting guidance that a governmental entity should apply. Per the Statement, the sources of authoritative generally accepted accounting principles (“GAAP”) are categorized in descending order of authority as follows: GASB Statements and Interpretations, GASB Technical Bulletins, GASB Implementation Guides, and literature of the American Institute of Certified Public Accountants (“AICPA”) cleared by the GASB. Authoritative GAAP is incorporated periodically into the Codification of Governmental Accounting and Financial Reporting Standards (Codification), and when presented in the Codification, it retains its authoritative status. If the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP described above, a governmental entity should first consider accounting

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

NOTES TO FINANCIAL STATEMENTS

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**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Basis of Accounting (Continued)**

principles for similar transactions or other events within a source of authoritative GAAP described above and then may consider nonauthoritative accounting literature from other sources. These include GASB Concepts Statements; pronouncements and other Statements, pronouncements and other literature of the Financial Accounting Standards Board (“FASB”), Federal Accounting Standards Advisory Board, International Public Sector Accounting Standards Board, and International Accounting Standards Board, and AICPA literature not cleared by the GASB; practices that are widely recognized and prevalent in state and local government; literature of other professional associations or regulatory agencies; and accounting textbooks, handbooks and articles.

The Authority derives most of its revenue from water user charges and is considered to be an enterprise fund; accordingly, the Authority presents its financial statements on the accrual basis of accounting. In addition, the Authority has established certain restricted “funds or accounts” as directed by internal resolution and bond indentures.

**Revenues**

Charges for wholesale water usage are established to provide revenue sufficient for services, essential repairs and improvements to the utility plant, and repayment of debt service on certain long-term obligations used for plant construction. Sales are recognized as revenue when water is made available to customers, and the customers are billed in the following month or quarter.

The Authority distinguishes operating revenue and expenses from non-operating items. Operating revenue and expenses result from the sale of water to customers. Operating expenses include costs of providing water, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenue and expenses.

**Capital Assets**

Capital assets are stated at original cost and consist primarily of amounts expended to license, construct, acquire, complete and place into operation the projects of the Authority. Capital assets are defined by the Authority as assets with an initial individual cost of more than \$1,000 and an estimated useful life in excess of three years. Such expenditures include labor, materials, services and indirect costs. Normal maintenance and repair costs are charged to operations and maintenance expense. Improvements and replacements are capitalized. Interest earned on long-term debt proceeds used for capital asset construction and temporarily invested during the construction period is netted against interest cost. The excess, if any, is capitalized to construction work in progress, and the portion related to completed projects is expensed. The cost of capital assets retired, net of any gain or loss on the disposal of such capital assets, is offset to accumulated depreciation. The Authority also holds several restricted easements for utility access, conservation and water rights. These easements are recorded at the lower of cost or fair market value upon acquisition.

**NEW JERSEY WATER SUPPLY AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

---

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Depreciation**

Capital assets are depreciated on the straight-line basis over the estimated useful lives of the various classes of plant, as follows:

Dams	100 years
Buildings, structures and improvements	15-40 years
D&R canal dredging	20 years
Machinery and equipment	3-10 years

**Cash and Cash Equivalents**

For purposes of the statements of cash flows, the Authority considers short-term investments that have original maturities of ninety days or less to be cash equivalents.

**Investments**

Short-term investments and restricted investments used for construction and payment of interest consist of money market funds and U.S. government-backed securities with various interest rates. Restricted investments are restricted under the terms of the Authority's bond indentures for the payment of debt service. All investments are carried at fair value, in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and GASB Statement No. 72, *Fair Value Measurement and Application*.

**Accounts Receivable**

The Authority considers most of its accounts receivable to be collectible; accordingly, the change in net position is charged with an allowance for estimated uncollectible accounts based on past experience and an analysis of current accounts receivable collectability. Accounts deemed uncollectible are charged to the allowance in the year they are deemed uncollectible.

**Compensated Absences**

All full-time employees accumulate vacation benefits in varying annual amounts up to a maximum allowable accumulation of two years' benefit. Unused sick leave benefits are earned by all full-time employees at a rate of 15 days per year and may be accumulated without limit. In the event of termination, an employee is reimbursed for all accumulated vacation days. Unused sick leave benefits do not vest but are payable only upon retirement up to a maximum of \$15,000. A liability is accrued in the financial statements when incurred.

**NEW JERSEY WATER SUPPLY AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

**Income Taxes**

The Authority is exempt from federal income taxes under the Internal Revenue Code, Section 115, and from state income taxes under N.J.S.A. 27:25-16, and accordingly, no provision is recorded for federal or state income taxes.

**Net Position**

Net position represents the difference between assets and liabilities and is classified into three categories:

- *Net Investment in Capital Assets* – This represents capital assets, net of accumulated depreciation, less the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition construction or improvement of those assets.
- *Restricted for cash, investments, and unearned revenue* – This represents the net position that is not accessible for general use because its use is subject to restrictions enforceable by third parties. When both restricted and unrestricted resources are available for use, it is the Authority's policy to use restricted resources first and then unrestricted resources, as they are needed.
- *Unrestricted Net Position* – This represents the net position that is available for general use.

**Deferred Inflows and Outflows of Resources**

In addition to assets and liabilities, the statements of net position report separate sections of deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources represent a consumption of net position that applies to a future period which will not be recognized as an outflow of resources until that time. Deferred inflows of resources represent an acquisition of net position that applies to a future period which will not be recognized as an inflow of resources until that time.

*Deferred Inflows/Outflows of Resources – Cost Recovery*

The Authority's cost recovery rate model used to establish rates, fees and charges includes an amount for debt principal repayment (but not for depreciation on the related debt financed assets) and also includes vacation amounts paid. In accordance with GASB No. 62, the Authority has deferred the excess of current depreciation on assets financed with debt proceeds over the costs for debt principal repayment and the excess of vacation expense over vacation paid, and accrued sick pay, which are being classified as deferred outflows of resources. The deferred outflows will be recovered through future revenue in accordance with the rate model. The deferred amounts for the years ended June 30, 2023 and 2022, were determined as follows:

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NOTES TO FINANCIAL STATEMENTS

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Inflows and Outflows of Resources (Continued)**

<b>Raritan Basin System</b>	<u>2023</u>	<u>2022</u>
Cost excluded from rate model:		
Depreciation of debt-financed capital assets recoverable from rate payers	\$ 823,423	\$ 835,209
Excess vacation expense over vacation paid	22,814	(45,359)
Accrued sick pay	<u>22,646</u>	<u>(26,741)</u>
	<b>868,883</b>	763,109
Cost included in rate model:		
Debt principal repayment	-	-
<b>Subtotal Raritan Basin System</b>	<u><b>868,883</b></u>	<u>763,109</u>
<b>Manasquan System</b>		
Cost excluded from rate model:		
Depreciation of debt-financed capital assets recoverable from rate payers	1,540,854	1,540,854
Excess vacation expense over vacation paid	(8,206)	(11,903)
Accrued sick pay	<u>608</u>	<u>(844)</u>
	<b>1,533,256</b>	1,528,107
Cost included in rate model:		
Debt principal repayment	<u>(415,000)</u>	<u>(395,000)</u>
<b>Subtotal Manasquan System</b>	<u><b>1,118,256</b></u>	<u>1,133,107</u>
Total Raritan Basin and Manasquan	<b>1,987,139</b>	1,896,216
Balance, beginning of year	<u>685,718</u>	<u>(1,210,498)</u>
Balance, end of year	<u><b>\$ 2,672,857</b></u>	<u>\$ 685,718</u>

As shown in the statements of revenue, expenses and changes in net position for the year ended June 30, 2023, the deferred outflows of resources debit of \$1,949,277 does not include a debit balance of \$37,862 of accrued vacation and sick pay. The June 30, 2022, deferred outflows of resources debit balance of \$1,981,063 does not include a credit balance of \$84,847 of accrued vacation and sick pay.

**NEW JERSEY WATER SUPPLY AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Deferred Inflows and Outflows of Resources (Continued)**

*Deferred Inflows/Outflows of Resources – Debt Refunding*

Deferred charges for debt refunding result from the difference between the net carrying amount of refunded bonds and the amount deposited to escrow to defease the bonds. In accordance with GASB 23, the Authority has deferred the difference between the reacquisition price and the net carrying amount of the Manasquan Reservoir Water Supply System Revenue Bonds, Series 2005. The deferred amount is reported as a deferred inflow of resources and amortized as a component of interest expense over the remaining life of the Manasquan Reservoir Water Supply System Refunding Bonds, Series 2016.

*Deferred Inflows/Outflows of Resources – Pensions & Other Post-retirement Benefits (OPEB)*

Deferred charges for defined benefit plans result from the difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on plan investments, changes in the State's proportion of expenses and liabilities to the plans as a whole, differences between the Authority's plan contributions and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

**Accounting for Southeast Monmouth Municipal Utilities Authority Agreement**

The Authority operates and maintains a Water Treatment Plant/Transmission System for the Southeast Monmouth Municipal Utilities Authority ("SMMUA"). The SMMUA is charged for budgeted operating expenses expected to be incurred by the Authority during the SMMUA's fiscal year (January 1 through December 31).

Because of the difference resulting from billing the SMMUA for budgeted expenses versus actual expenses appearing in the financial statements, the Authority includes unearned costs (actual costs exceeding SMMUA billings) or unearned revenue (SMMUA billings exceeding actual costs) in its statements of net position. These excess costs or billings will be recognized in future periods. As of June 30, 2023 and 2022, unearned revenue amounting to \$5,282,144 and \$4,642,192, respectively, was determined as follows:

	<b>2023</b>	<b>2022</b>
Reimbursement of operating expenses	<b>\$ 2,633,782</b>	\$ 2,583,507
Operating expenses	<b>1,993,830</b>	1,867,745
SMMUA operations, net	<b>639,952</b>	715,762
Unearned revenue balance, beginning of year	<b>4,642,192</b>	3,926,430
Unearned revenue balance, end of year	<b>\$ 5,282,144</b>	\$ 4,642,192



**NEW JERSEY WATER SUPPLY AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**B. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**Accounting for Southeast Monmouth Municipal Utilities Authority Agreement (Continued)**

In previous years, the Authority received additional funds that are restricted for use by the SMMUA for costs associated in operating the Water Treatment Plant. As of June 30, 2023 and 2022, the amount included in unearned revenue was \$345,039 and \$267,942, respectively.

**Accounting for Watershed Protection Program**

For the fiscal years ended June 30, 2023 and 2022, the Authority received \$79,381 and \$107,250, respectively, from federal and/or state environmental agencies for the costs associated with various watershed protection studies of the Raritan Basin System. These funds are restricted to uses specifically identified in grant agreements between the Authority and these agencies and will be recognized as revenue as the related costs are incurred. Eligible project expenses include, but are not limited to, the cost of mapping out streams and other water sources and studying and implementing best land use practices to improve water quality. As of June 30, 2023, all of the funds received had been recognized as revenue.

**Accounting for Mitigation Funds**

During fiscal years ended June 30, 2023 and 2022, the Authority received \$8,940 and \$86,768, respectively, for the costs associated with implementing water quality improvement projects for the Delaware and Raritan Canal. These funds are restricted to projects specifically identified by the D&R Canal Commission ("DRCC") and administered by the Authority and are recognized as revenue as the related costs are incurred. These funds are maintained in a separate mitigation account. As of June 30, 2023 and 2022, the balance of unearned revenue was \$556,425 and \$553,485, respectively.

**Accounting for FEMA Reimbursements**

The authority received Federal Emergency Management Agency reimbursements for COVID-19 and the remnants of Hurricane Ida flooding in the amounts of \$1,016,506 and \$95,756 for the fiscal years ended June 30, 2023 and 2022, respectively. As of June 30, 2023 and 2022, the balance of unearned revenue was \$350,228 and \$0, respectively.

**NEW JERSEY WATER SUPPLY AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

**C. CAPITAL ASSETS**

Capital assets activity for the years ended June 30, 2023 and 2022, was as follows:

	<b>2023</b>			<b>2023</b>
	<b>Beginning</b>		<b>Retirements</b>	<b>Ending</b>
	<b>Balance</b>	<b>Additions</b>		<b>Balance</b>
Capital assets not being depreciated:				
Land	\$ 26,444,952	\$ -	\$ (796,833)	\$ 25,648,119
Construction work in progress	105,010,249	16,217,601	(277,300)	120,950,550
Total capital assets not being depreciated	<u>131,455,201</u>	<u>16,217,601</u>	<u>(1,074,133)</u>	<u>146,598,669</u>
Capital assets being depreciated:				
Dams	77,369,160	-	-	77,369,160
Building, structures and improvements	149,573,239	277,300	(1,069)	149,849,470
D & R Canal dredging	21,160,274	-	-	21,160,274
Machinery and equipment	7,830,475	1,011,588	(288,155)	8,553,908
Leased equipment	38,738	-	-	38,738
Total capital assets being depreciated	<u>255,971,886</u>	<u>1,288,888</u>	<u>(289,224)</u>	<u>256,971,550</u>
Less accumulated depreciation for:				
Dams	(33,882,675)	(761,766)	-	(34,644,441)
Building, structures and improvements	(102,739,113)	(3,644,021)	1,069	(106,382,065)
D & R Canal dredging	(21,160,274)	-	-	(21,160,274)
Machinery and equipment	(5,823,939)	(508,246)	288,155	(6,044,030)
Leased equipment	(4,842)	(9,684)	-	(14,526)
Total accumulated depreciation	<u>(163,610,843)</u>	<u>(4,923,717)</u>	<u>289,224</u>	<u>(168,245,336)</u>
Total capital assets being depreciated, net	<u>92,361,043</u>	<u>(3,634,829)</u>	<u>-</u>	<u>88,726,214</u>
Total net investment in capital assets	<u>\$ 223,816,244</u>	<u>\$ 12,582,772</u>	<u>\$ (1,074,133)</u>	<u>\$ 235,324,883</u>

	<b>2022</b>			<b>2022</b>
	<b>Beginning</b>		<b>Retirements</b>	<b>Ending</b>
	<b>Balance</b>	<b>Additions</b>		<b>Balance</b>
Capital assets not being depreciated:				
Land	\$ 26,444,952	\$ -	\$ -	\$ 26,444,952
Construction work in progress	89,541,411	19,821,529	(4,352,691)	105,010,249
Total capital assets not being depreciated	<u>115,986,363</u>	<u>19,821,529</u>	<u>(4,352,691)</u>	<u>131,455,201</u>
Capital assets being depreciated:				
Dams	77,369,160	-	-	77,369,160
Building, structures and improvements	145,169,966	4,404,482	(1,209)	149,573,239
D & R Canal dredging	21,160,274	-	-	21,160,274
Machinery and equipment	7,444,203	921,289	(535,017)	7,830,475
Leased equipment	56,520	38,738	(56,520)	38,738
Total capital assets being depreciated	<u>251,200,123</u>	<u>5,364,509</u>	<u>(592,746)</u>	<u>255,971,886</u>
Less accumulated depreciation for:				
Dams	(33,120,909)	(761,766)	-	(33,882,675)
Building, structures and improvements	(99,174,956)	(3,565,366)	1,209	(102,739,113)
D & R Canal dredging	(21,160,274)	-	-	(21,160,274)
Machinery and equipment	(5,940,894)	(405,216)	522,171	(5,823,939)
Leased equipment	(49,488)	(11,874)	56,520	(4,842)
Total accumulated depreciation	<u>(159,446,521)</u>	<u>(4,744,222)</u>	<u>579,900</u>	<u>(163,610,843)</u>
Total capital assets being depreciated, net	<u>91,753,602</u>	<u>620,287</u>	<u>(12,846)</u>	<u>92,361,043</u>
Total net investment in capital assets	<u>\$ 207,739,965</u>	<u>\$ 20,441,816</u>	<u>\$ (4,365,537)</u>	<u>\$ 223,816,244</u>

**NEW JERSEY WATER SUPPLY AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**D. CASH, CASH EQUIVALENTS AND INVESTMENTS**

New Jersey statutes permit the deposit of public funds in the State of New Jersey Cash Management Fund (“NJCMF”) or in institutions located in New Jersey that are insured by the Federal Deposit Insurance Corporation (the “FDIC”) or by any other agencies of the United States that insure deposits. All funds of the Authority may be invested in, obligations of, or guaranteed by, the U.S. government.

The Authority’s bond resolutions limit the investment of restricted assets to obligations of the U.S. government or its agencies, investments in certain certificates of deposit of commercial banks that are members of the Federal Reserve System, investments in the NJCMF, and direct and general obligations of any state that meets the minimum requirements of the resolution.

1. Cash

As of June 30, 2023 and 2022, the Authority’s bank balances were \$78,083,431 and \$104,682,169, respectively, of which \$250,000 was covered through the FDIC. The remaining balances of \$77,833,431 and \$104,432,169 as of June 30, 2023 and 2022, respectively, were collateralized through an irrevocable stand-by letter of credit issued by the Federal Home Loan Bank of Pittsburgh through TD Bank. The letter of credit covers up to a maximum of \$100,000,000 of Authority deposits and was renewed through March 28, 2024. The cash balance per the statements of net position is shown exclusive of outstanding checks totaling \$1,971,868 and \$114,451, respectively. The statements of net position amount includes petty cash totaling \$300 as of June 30, 2023 and 2022, respectively.

2. Custodial Credit Risk – Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority’s deposits may not be returned. The Authority does not have a deposit policy for custodial credit risk. The Authority’s bank balances of \$78,083,431 and \$104,682,169 as of June 30, 2023 and 2022, respectively, were exposed to custodial credit risk as follows:

	<u>2023</u>	<u>2022</u>
Uninsured and uncollateralized	\$ -	\$ -

3. Investments and Cash Equivalents

The Authority does not have a policy to limit interest rate risk; however, its practice is to hold investments to maturity.

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. The Authority has no level 1 or level 3 investments.

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NOTES TO FINANCIAL STATEMENTS

**D. CASH, CASH EQUIVALENTS AND INVESTMENTS (CONTINUED)**

3. Investments and Cash Equivalents (Continued)

As of June 30, 2023, the Authority had the following recurring fair value measurements using current sale prices or sale prices of comparable securities for New Jersey General Obligation Bonds (Level 2 inputs) for investments and cash equivalents, and maturities, inclusive of interest receivable:

Investment and Cash Equivalent Type	Valuation Inputs Level	Fair Value	Investment Maturities (In Years)	
			Less than 1	1-5
NJ G/O Bonds and CDs	Level 2	\$ 35,037,000	\$ 23,302,701	\$ 11,734,299
Total		\$ 35,037,000	\$ 23,302,701	\$ 11,734,299

As of June 30, 2022, the Authority had the following recurring fair value measurements using current sale prices or sale prices of comparable securities for New Jersey General Obligation Bonds (Level 2 inputs) for investments and cash equivalents, and maturities:

Investment and Cash Equivalent Type	Valuation Inputs Level	Fair Value	Investment Maturities (In Years)	
			Less than 1	1-5
NJ G/O Bonds and CDs	Level 2	\$ -	\$ -	\$ -
Total		\$ -	\$ -	\$ -

4. Credit and Custodial Credit Risk

In order to limit exposure to credit risk, the Authority follows the investment policies set forth by the NJCMF. These policies allow investment in securities that achieve a certain rating from the three major ratings organizations as determined annually by the governing board of the NJCMF, as well as limiting investments to certain types of marketable securities.

U.S. Treasury notes are explicitly guaranteed by the U.S. government and are not subject to credit risk or custodial credit risk.

The Authority entered into an agreement with TD Bank to collateralize all deposits held at a market rate equal to 102% of the daily combined total of all deposits. As of June 30, 2023, all deposits were collateralized.

5. Investment Income

The following comprises investment income for the years ended June 30, 2023 and 2022:

	<u>2023</u>	<u>2022</u>
Interest earned on bank accounts and certificates of deposit	\$ 1,369,523	\$ 101,698
Interest earned on securities	560,745	281
Gain/(loss) on fair value of securities	(580,521)	2,011
	<u>\$ 1,349,747</u>	<u>\$ 103,990</u>

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**E. BONDS, NOTES AND LOANS PAYABLE**

**Manasquan System**

1. Notes Due to State of New Jersey

The Authority has a contractual obligation to repay the following debt:

The \$63,600,000 of Manasquan Reservoir Water Supply System State Loan Notes (the "State Loan Notes") issued June 3, 1987, pursuant to the terms of the State Loan Agreement between the Authority and the State (the "State Loan Agreement"), from monies authorized by the 1981 bond appropriation of \$72,000,000 for construction of the Manasquan System and the \$7,416,000 of Interim Advance Notes issued September 12, 1988, from monies made available from the General Fund of the State to finance completion costs of the Manasquan System. The State Loan Notes and the Completion Loan Notes bear interest at 5.9% and 6.2%, respectively, and are collateralized by the property and revenues of the Manasquan System.

In accordance with the terms of the State Loan Agreement, the State Loan Notes are classified as either Current Debt Service Portion Notes ("Current Notes") or Deferred Debt Service Portion Notes ("Deferred Notes"). Principal of the Deferred Notes will be discharged solely by exchange for Current Notes or by the expiration of a period of forty years from the date of their issuance, which was June 3, 1987. The Deferred Notes must be exchanged for Current Notes on a pro rata basis to the extent that the Authority enters into additional long-term contracts to sell water from the Manasquan System on an annual basis. Such Current Notes are payable over a thirty-year period commencing from such date as is defined in the State Loan Agreement.

Interest on the Deferred Notes accreted as principal through July 31, 1993, and is not payable until they have been exchanged for Current Notes. The interest that accreted as principal through July 31, 1990, accrued interest; however, the interest that accreted for the period from August 1, 1990 through July 31, 1993, did not accrue interest. The accretion of interest to the principal amount for the Current Notes and the Deferred Notes is \$25,563,184 at June 30, 2023 and 2022.

On May 12, 2016, the Authority repaid the State \$78,651.22 for principal and all accrued interest on outstanding Current State Loan Notes and Completion Notes. At June 30, 2023 and 2022, the State Loan Notes and Completion Loan Notes are summarized as follows:

<b>State Loan Notes</b>	<b>2023</b>	<b>2022</b>
Current Notes	\$ -	\$ -
Deferred Notes	<b>30,365,115</b>	30,365,115
<b>Completion Loan Notes</b>		
Current Notes	-	-
Deferred Notes	<b>3,201,777</b>	3,201,777
	<b>\$ 33,566,892</b>	\$ 33,566,892

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NOTES TO FINANCIAL STATEMENTS

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**E. BONDS, NOTES AND LOANS PAYABLE (CONTINUED)**

**Manasquan System (Continued)**

2. Manasquan Reservoir Water Supply System Revenue Bonds, Series 2005

On August 5, 2005, the Authority issued \$47,535,000 in Manasquan Reservoir Water Supply System Revenue Bonds, Series 2005. The proceeds, together with other monies on deposit, were used to prepay \$49,293,438 in Current Manasquan State Loan Notes and Completion Loan Notes, the proceeds of which were used to construct the Manasquan Water Supply System. The Revenue Bonds, Series 2005, carried a bond yield of 3.95%, and were scheduled to mature in incremental annual principal amounts through 2031.

The property, and 100% of the revenue generated by the Debt Service Component of the Rate for both initial system customers and delayed water purchase customers of the Manasquan System, were pledged as collateral for the 2005 Bonds. The Debt Service Component of the Rate represents 120% of the principal and interest requirements. For the years ended June 30, 2023 and 2022, the Debt Service Component of the Rate generated \$710,513.

The Revenue Bonds, Series 2005, had a principal balance outstanding of \$26,105,000 at June 30, 2015. Those bonds maturing on or after August 1, 2016, were subject to redemption prior to their stated maturity dates at the option of the Authority. The last principal payment of \$2,940,000 was made on August 1, 2015. The remaining 2005 Bonds were redeemed on June 15, 2016, for \$23,596,126 including accrued interest.

3. Manasquan Reservoir Water Supply System Refunding Bonds, Series 2016

On April 26, 2016, the Authority issued \$17,460,000 in Manasquan Reservoir Water Supply System Refunding Bonds, Series 2016. The proceeds, together with other monies on deposit in the amount of \$6,340,964, were used to prepay \$23,242,358 in Manasquan Reservoir Water Supply System Revenue Bonds, Series 2005 and Current Manasquan State Loan Notes and Completion Loan Notes.

The Refunding Bonds, Series 2016, have a principal balance outstanding of \$4,550,000 at June 30, 2023, carry a bond yield of 1.6%, and mature in incremental annual principal amounts through 2031. Principal maturities for the year ending June 30, 2024 are \$435,000.

The property, and 100% of the revenue generated by the Debt Service Component of the Rate for both initial system customers and delayed water purchase customers of the Manasquan System, were pledged as collateral for the 2016 Bonds. The Debt Service Component of the Rate represents 120% of the principal and interest requirements. The pledged revenue will be unavailable for other purposes until August 1, 2031.

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NOTES TO FINANCIAL STATEMENTS

**E. BONDS, NOTES AND LOANS PAYABLE (CONTINUED)**

**Manasquan System (Continued)**

3. Manasquan Reservoir Water Supply System Refunding Bonds, Series 2016 (Continued)

For the years ended June 30, 2023 and 2022, interest expense on the 2016 Bonds amounted to \$158,422 and \$179,083, respectively, and for each year the related interest income earned on the restricted investments account amounted to \$0.

The current refunding resulted in a difference between the par amount of the refunding bonds and the par amount of the refunded bonds of \$5,782,358. The net premium received on the refunding bonds was \$1,821,414, is reported with bonds payable on the statements of net position and is being charged to operations using a method that approximates the effective interest method over the shorter of the remaining life of the old debt or the life of the new debt. Although the refunding resulted in an accounting gain of \$823,712, it was performed to reduce debt service by approximately \$5,269,268 and resulted in an economic gain (difference between the present values of the old and new debt service payments) of \$2,999,861. The accounting gain, or deferred gain on the refunding, is reported as a deferred inflow of resources in the amount of \$213,136 and \$236,817 as of June 30, 2023 and 2022, respectively.

4. New Jersey Environmental Infrastructure Financing Program (“NJEIFP”)

The Authority obtained a loan from the New Jersey Environmental Infrastructure Trust (“the Trust”) for the construction of a permanent structure over the Manasquan Intake Pump Station. Under the NJEIFP, the borrowers benefit from a loan formula under which participants borrow a percentage of cost from the State Revolving Fund maintained by the NJDEP at zero interest and the remaining percentage from the Trust at the same interest rate the Trust pays on its bonds. Under the State’s Smart Growth Initiative, the interest rate is equivalent to 25 percent of the lowest available rate. Each NJEIFP loan carries a 20-year life. Property and revenue of the Manasquan Reservoir System are pledged as collateral for the loans.

The following table summarizes the NJEIFP loan outstanding for the Manasquan Reservoir System, as of June 30, 2023:

NJEIFP Series	Date of Issuance	State Revolving Fund Original Principal	Percent	Trust Original Principal	Percent	Blended Interest Rate	Outstanding Principal	Maturity
2012B	5/3/2012	\$2,312,250	76%	\$715,000	24%	0.80%	\$1,386,609	8/1/2031

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NOTES TO FINANCIAL STATEMENTS

**E. BONDS, NOTES AND LOANS PAYABLE (CONTINUED)**

**Raritan System**

5. New Jersey Environmental Infrastructure Financing Program (“NJEIFP”)

The Authority obtained loans from the Trust for the acquisition of source water watershed properties critical to the Raritan Basin System. Under the NJEIFP, the borrowers benefit from a loan formula under which participants borrow a percentage of the cost from the State Revolving Fund maintained by the NJDEP at zero interest and the remaining percentage from the Trust at the same interest rate the Trust pays on its bonds. Under the State’s Smart Growth Initiative, the interest rate is equivalent to 25 percent of the lowest available rate. Each NJEIFP loan carries a 20-year life, and property and revenue of the Raritan Basin System are pledged as collateral for the loans.

In fiscal year 2018, the Authority borrowed \$49,548,569 from the New Jersey Infrastructure Bank (NJIB - formerly known as the New Jersey Environmental Infrastructure Trust) through an interim note to finance its Raritan Basin System Canal Dredging project. In fiscal year 2021 the interim note was converted to permanent long-term financing with the NJIB and the State for a total amount of \$35,684,438 at a blended interest rate of 0.41%. Actual project costs were lower than expected, causing the final loan amount to be lower than originally anticipated.

In fiscal year 2019, the Authority borrowed \$15,224,595 from the NJIB through an interim note to finance a portion of its Raritan Basin System Round Valley Refurbishment and Resource Preservation project. In fiscal year 2021, an additional \$59,775,405 interim financing was completed for the remainder of the project. Upon substantial completion of the project, it is anticipated that the interim note will convert to permanent long-term financing.

The following table summarizes the NJEIFP/NJIB loans outstanding for the Raritan Basin System, as of June 30, 2023:

NJEIFP Series	Date of Issuance	State Revolving Fund Original Principal	Percent	Trust Original Principal	Percent	Blended Interest Rate	Outstanding Principal	Maturity
2003A	11/6/2003	\$ 627,019	75%	\$ 235,000	25%	1.19%	\$ 55,191	8/1/2023
2004A	11/4/2004	1,030,000	75%	350,000	25%	1.31%	147,632	8/1/2024
2005A	11/10/2005	2,940,974	75%	1,050,000	25%	1.25%	230,000	8/1/2025
2006A	11/9/2006	2,099,363	75%	745,000	25%	1.26%	579,667	8/1/2026
2007A	11/8/2007	1,740,563	75%	620,000	25%	1.06%	650,318	8/1/2027
2008A	11/6/2008	1,152,000	64%	660,000	36%	1.74%	636,987	8/1/2028
2010A	3/10/2010	300,493	51%	290,000	49%	1.69%	218,289	8/1/2029
2010B	12/2/2010	1,064,338	52%	990,000	48%	1.87%	938,954	8/1/2030
2012A	5/3/2012	1,501,455	76%	465,000	24%	0.65%	931,658	8/1/2031
2021A	6/10/2021	27,724,230	77%	8,325,000	23%	0.41%	32,612,122	8/1/2040
CFP-20-1	7/9/2020	34,102,823	45%	40,897,177	55%	tbd	75,000,000	tbd
Total		\$ 74,283,258		\$ 54,627,177			\$ 112,000,818	



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**E. BONDS, NOTES AND LOANS PAYABLE (CONTINUED)**

The following table summarizes the changes in bonds, notes and loans payable between fiscal years 2023, 2022 and 2021:

	Fiscal Year 2022	Less Payments, Net of Amortization	Debt Issued	Fiscal Year 2023	Due Within One Year
Bonds payable	\$ 5,488,656	\$ 467,365	\$ -	\$ 5,021,291	\$ 435,000
Notes payable	33,566,892	-	-	33,566,892	-
Loans payable	116,982,962	2,814,454	-	114,168,508	2,681,146
Total	\$ 156,038,510	\$ 3,281,819	\$ -	\$ 152,756,691	\$ 3,116,146

	Fiscal Year 2021	Less Payments, Net of Amortization	Debt Issued	Fiscal Year 2022	Due Within One Year
Bonds payable	\$ 5,936,022	\$ 447,366	\$ -	\$ 5,488,656	\$ 415,000
Notes payable	33,566,892	-	-	33,566,892	-
Loans payable	119,872,023	2,889,061	-	116,982,962	2,768,435
Total	\$ 159,374,937	\$ 3,336,427	\$ -	\$ 156,038,510	\$ 3,183,435

Principal and interest on aggregate maturities and bonds, notes and loans, net of unamortized bond premium, are as follows:

Years Ending June 30,	Raritan Basin System	Manasquan Reservoir System	Notes Payable Manasquan System	Manasquan System Revenue Bonds Series 2016	Totals
2024	\$ 2,875,206	\$ 175,822	\$ -	\$ 580,712	\$ 3,631,740
2025	2,811,976	173,822	-	578,462	3,564,260
2026	2,754,992	171,822	-	575,213	3,502,027
2027	2,611,355	174,697	-	575,838	3,361,890
2028	2,489,659	172,672	-	578,137	3,240,468
2029-2033	10,805,072	606,949	-	2,279,794	13,691,815
2034-2038	9,846,039	-	-	-	9,846,039
2039-2041	5,443,480	-	-	-	5,443,480
Pending Project Completion Deferred Portion	75,000,000	-	-	-	75,000,000
	-	-	33,566,892	-	33,566,892
Subtotal	114,637,779	1,475,784	33,566,892	5,168,156	154,848,611
Less amounts representing interest	2,636,961	89,175	-	618,156	3,344,292
Plus unamortized bond premium	756,437	24,644	-	471,291	1,252,372
Total	112,757,255	1,411,253	33,566,892	5,021,291	152,756,691
Less:					
Current principal portion	2,523,574	157,572	-	435,000	3,116,146
Non-current principal portion	\$ 110,233,681	\$ 1,253,681	\$ 33,566,892	\$ 4,586,291	\$ 149,640,545

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NOTES TO FINANCIAL STATEMENTS

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**F. EMPLOYEE BENEFITS**

**Pension and Retirement Plans**

Full-time employees of the Authority are covered by the Public Employees' Retirement System of the State of New Jersey ("PERS"). PERS is administered by the State of New Jersey, Division of Pensions and Benefits ("Division"). The Authority has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*. Statements No. 68 and 71 require the Authority to report its share of the defined benefit pension liability and expense, as well as the related deferred outflows of resources and deferred inflows of resources, allocated to it by the PERS. For additional information about PERS, please refer to the Division's Annual Comprehensive Financial Report (ACFR) which can be found at <https://www.nj.gov/treasury/omb/publications/22fr/NJFRFY2022Complete.pdf>.

Following is the total of the local portion of the System's pension liabilities, pension assets, deferred outflows of resources and deferred inflows of resources related to pensions, and the pension expense and expenditures for the fiscal year ended June 30, 2023.

Net Pension Liabilities	\$16,101,898
Deferred Outflows of Resources	3,016,579
Deferred Inflows of Resources	2,796,346
Pension Expense	(890,786)
Contributions Made	1,345,488

*Plan Description and Benefits*

PERS is a cost-sharing, multiple-employer defined benefit pension plan. PERS provides retirement and disability benefits, annual cost of living adjustments, and benefits to plan members and their beneficiaries. As a condition of employment, all Authority full-time employees are required to be members of PERS. PERS members can apply for a service retirement at age 60 if enrolled before November 2, 2008 (Tier 1 or Tier 2), or at age 62 if enrolled on or after November 2, 2008, but before June 28, 2011 (Tier 3 or Tier 4), or at age 65 if enrolled on or after June 28, 2011 (Tier 5), regardless of the amount of service credit earned.

For Tier 1, 2 or 3, the Annual Benefit equals Years of Service Credit, divided by 55, times Final Average Salary (average salary of the last three years of credited service or the highest three fiscal years of credited service, whichever provides the higher benefit). For Tier 4 or Tier 5, the Annual Benefit equals Years of Service Credit, divided by 60, times Final Average Salary (average salary of the last five years of credited service or the highest five fiscal years of credited service, whichever provides the higher benefit). Pension benefits fully vest on reaching 10 years of service. Vested employees who were enrolled prior to July 1, 2007, and who have established 25 years or more of creditable service may retire without penalty at or after age 55 and receive full retirement benefits. PERS also provides death and disability benefits. Benefits are established by state statute.

*Contributions*

Employee contribution rates to PERS governed by P.L. 2011, C. 78, effective June 28, 2011, were increased from 5.5% of salary to 6.5% of salary, and a phase-in to 7.5% of salary over a

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NOTES TO FINANCIAL STATEMENTS

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**F. EMPLOYEE BENEFITS (CONTINUED)**

**Pension and Retirement Plans (Continued)**

*Contributions (Continued)*

seven-year period. Covered Authority employees are required by PERS to contribute 7.5% of their salaries. State statute requires the Authority to contribute an actuarially determined rate which includes the normal cost and the unfunded accrued liability. The amount of the Authority's contribution is certified each year by PERS on the recommendation of the actuary, who makes an annual actuarial valuation. The valuation is based on a determination of the financial condition of the retirement system. It includes the computation of the present dollar value of benefits payable to former and present members and the present dollar value of future employer and employee contributions, giving effect to mortality among active and retired members and also to the rates of disability, retirement, withdrawal, former service, salary and interest. In accordance with state statute, the long-term expected rate of return on plan investments 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. Specific information on actuarial assumptions and rates of return can be found at

<https://www.state.nj.us/treasury/pensions/documents/financial/gasb/gasb68-pers23.pdf>.

The payroll for employees covered by PERS for the years ended June 30, 2023, 2022, and 2021 was \$7,927,695, \$8,048,394, and \$7,796,833, respectively. The Authority's total payroll for the years ended June 30, 2023, 2022, and 2021 was \$8,312,516, \$8,232,535, and \$7,884,810, respectively. The actuarial contribution requirements and the contributions made for the years ended June 30, 2023, 2022, and 2021 were \$1,987,120, \$1,822,549, and \$1,731,864, respectively, which consisted of \$1,345,488, \$1,211,114, and \$1,154,558, respectively, from the Authority, and \$641,632, \$611,435, and \$577,306, from employees, respectively. As required by PERS, the employer and employee contributions represented 17.0% and 8.1% of covered payroll for the year ended June 30, 2023, 15.0% and 7.6% of covered payroll for the year ended June 30, 2022, and 14.8% and 7.4% of covered payroll for the year ended June 30, 2021, respectively. Contributions were made in accordance with the actuarial funding requirement.

*Assumptions*

The collective 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. The actuarial valuation used an inflation rate of 2.75% on price and 3.25% on wage, projected salary increases of 2.75% to 6.55% based on years of service and an investment rate of return of 7.0%.

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022 and 2021. 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 made based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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NOTES TO FINANCIAL STATEMENTS

**F. EMPLOYEE BENEFITS (CONTINUED)**

**Pension and Retirement Plans (Continued)**

*Assumptions (Continued)*

More information on mortality rates and other assumptions and investment policies can be found at

<https://www.state.nj.us/treasury/pensions/documents/financial/gasb/gasb68-pers23-val.pdf>.

The following presents the Authority's proportionate share of the PERS net pension liability calculated using the discount rate of 7.00% as of June 30, 2022 and 2021, as well as what the PERS net pension liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the assumed rate.

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

	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
2022	<u>\$20,686,222</u>	<u>\$16,101,898</u>	<u>\$12,200,454</u>
	At 1% Decrease (6.00%)	At Current Discount Rate (7.00%)	At 1% Increase (8.00%)
2021	<u>\$17,041,101</u>	<u>\$12,251,099</u>	<u>\$8,671,531</u>

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

Although the Division administers one cost-sharing multiple-employer defined benefit pension plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense excluding that attributable to employer-paid member contributions are determined separately for each individual employer of the State and local groups of the plan.

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions and fiduciary net position applicable to each group. The allocation percentages presented for each group in the schedule of employer and nonemployer allocations are applied to amounts presented in the schedule of pension amounts by employer and nonemployer. The allocation percentages for each group as of June 30, 2022 and 2021, are based on the ratio of each employer's contributions to total employer contributions of the group for the fiscal years ended June 30, 2022 and 2021, respectively.

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NOTES TO FINANCIAL STATEMENTS

**F. EMPLOYEE BENEFITS (CONTINUED)**

**Pension and Retirement Plans (Continued)**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pension (Continued)*

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The employer and nonemployer allocation percentages presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the contributions of an individual employer to total contributions to PERS during the measurement periods of July 1, 2021 to June 30, 2022, and July 1, 2020 to June 30, 2021, respectively. The Authority's proportionate share of the collective net pension liability as of June 30, 2022 and 2021 was .1067% and .1034%, respectively.

At June 30, 2023, the amount recognized as the Authority's proportionate share of the PERS net pension liability was \$16,101,898. At June 30, 2022, the amount recognized as the Authority's proportionate share of the PERS net pension liability was \$12,251,099. For the years ended June 30, 2023 and 2022, the Authority recognized a PERS pension benefit of \$890,786 and \$1,458,153, respectively. At June 30, 2023, deferred outflows of resources and deferred inflows of resources related to the PERS pension are as follows:

	June 30, 2023		June 30, 2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources	Deferred Outflows of Resources	Deferred Inflows of Resources
Net Difference Between Expected and Actual Experience	\$ 116,216	\$ 102,486	\$ 193,216	\$ 87,703
Change in Assumptions	49,889	2,411,092	63,804	4,361,471
Net Difference Between Projected and Actual Investment Earnings	666,443	-	-	3,227,261
Net Change in Proportions	838,543	282,768	617,249	410,161
Total Contributions and Proportionate Share of Contributions After the Measurement Date	1,345,488	-	1,211,114	-
	<u>\$ 3,016,579</u>	<u>\$ 2,796,346</u>	<u>\$ 2,085,383</u>	<u>\$ 8,086,596</u>

The Authority recognizes the \$1,345,488 and \$1,211,114 reported as deferred outflows of resources resulting from pension contributions after the measurement date, but before the end of the Authority's reporting period, as noted in the previous table, as a reduction of the PERS net pension liability in the subsequent fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in PERS pension expense as follows:

Year Ending June 30	Amortization
2023	\$ (924,557)
2024	(471,031)
2025	(229,712)
2026	501,146
2027	(1,101)
Total	<u>\$ (1,125,255)</u>

**NEW JERSEY WATER SUPPLY AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**F. EMPLOYEE BENEFITS (CONTINUED)**

**Post-Retirement Health Care Benefits**

**Other Post-Employment Benefits Other than Pensions**

On July 1, 2017, The Authority adopted GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense based on the ratio of plan members of an individual employer to the total members of the plan. For additional information about the Plan, please refer to the Division's Annual Comprehensive Financial Report (ACFR) which can be found at <https://www.nj.gov/treasury/omb/publications/22fr/NJFRFY2022Complete.pdf>.

*Plan Description and Benefits*

The Authority provides post-employment healthcare benefits (including Medicare Part B reimbursement) and prescription drug coverage through participation in the New Jersey State Health Benefits Program. The plan is a cost-sharing multiple employer defined benefit other post-employment benefit (OPEB) plan that provides medical and prescription drug coverage to retirees and their covered dependents. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide post-retirement medical coverage to their employees must file a resolution with the Division of Pension and Benefits. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer-paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of post-retirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a state or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a state or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer-paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

**NEW JERSEY WATER SUPPLY AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**F. EMPLOYEE BENEFITS (CONTINUED)**

**Post-Retirement Health Care Benefits (Continued)**

**Other Post-Employment Benefits (“OPEB”) Other than Pensions (Continued)**

Following is the total of the local portion of the System’s OPEB liabilities, deferred outflows of resources, and deferred inflows of resources related to OPEB and the OPEB expense and expenditures for the fiscal year ended June 30, 2023.

Net OPEB Liabilities	\$27,662,158
Deferred Outflows of Resources	10,685,054
Deferred Inflows of Resources	16,528,732
OPEB (Benefit) Expense	198,704
Contributions Made	3,068,819

*Retirees and Employees Covered by the OPEB Plan*

At June 30, 2023, total plan members covered by the benefit terms were: 182

Retirees currently receiving benefits: 71

The Authority's contributions to the Plan for the years ended June 30, 2023 and June 30, 2022, were \$3,068,820 and \$2,823,595 respectively.

*Net OPEB Liability*

The Authority’s net OPEB liability of \$27,662,158 as of June 30, 2023, was measured as of June 30, 2022. The Authority’s net OPEB liability of \$31,037,563 as of June 30, 2022, was measured as of June 30, 2021. The Authority has fully recognized this liability in the statements of net position as of June 30, 2023, and 2022, in accordance with GASB 75.

*Actuarial Methods and Assumptions*

The net OPEB liabilities as of June 30, 2022, and 2021, measurement dates were determined by actuarial valuations as of June 30, 2021 and 2020, respectively, which were rolled forward to June 30, 2022 and 2021, respectively. The actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.75%
Salary increases*:	
Rate for all future years:	2.75 - 6.55%

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

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

One hundred percent of active members are considered to participate in the Plan upon retirement.

**NEW JERSEY WATER SUPPLY AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

**F. EMPLOYEE BENEFITS (CONTINUED)**

**Post-Retirement Health Care Benefits (Continued)**

**Other Post-Employment Benefits (“OPEB”) Other than Pensions (Continued)**

*Health Care Trend Assumptions*

For pre-Medicare medical benefits, the trend is initially 6.25% and decreases to a 4.5% long-term trend rate after seven years and for all future years. For post-65 PPO and HMO medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal years 2023 through 2033 and all future years are reflected. The rates used for 2023 are -1.89% and -1.99%, respectively, trending to 4.5% in 2033 and for all future years. For prescription drug benefits, the initial trend rate is 8.0% and decreases to a 4.5% long-term trend rate after seven years and for all future years.

*Discount Rate*

The discount rates for June 30, 2022 and 2021, were 3.54% and 2.16%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer GO 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

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

The following presents the Authority’s net OPEB liability as of June 30, 2022 and 2021, calculated using the discount rate as disclosed above as well as what the Authority’s net OPEB liability would be if it was calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	At 1% Decrease (2.54%)	At Current Discount Rate (3.54%)	At 1% Increase (4.54%)
2022	<u>\$ 32,066,009</u>	<u>\$ 27,662,158</u>	<u>\$ 24,118,847</u>
	At 1% Decrease (1.16%)	At Current Discount Rate (2.16%)	At 1% Increase (3.16%)
2021	<u>\$ 36,525,258</u>	<u>\$ 31,037,563</u>	<u>\$ 26,688,446</u>

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

The following presents the net OPEB liability as of June 30, 2022 and 2021, respectively, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is one percentage point lower or one percentage point higher than the current rate:



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NOTES TO FINANCIAL STATEMENTS

**F. EMPLOYEE BENEFITS (CONTINUED)**

**Post-Retirement Health Care Benefits (Continued)**

**Other Post-Employment Benefits (“OPEB”) Other than Pensions (Continued)**

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

	<u>At 1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>At 1% Increase</u>
2022	<u>\$ 23,466,641</u>	<u>\$ 27,662,158</u>	<u>\$ 33,035,433</u>
		<u>Healthcare Cost</u>	
	<u>At 1% Decrease</u>	<u>Trend Rate</u>	<u>At 1% Increase</u>
2021	<u>\$ 25,895,812</u>	<u>\$ 31,037,563</u>	<u>\$ 37,746,952</u>

GASB Statement No. 75, *Reporting for the Post-employment Benefits Other Than Pensions*, requires participating employers recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense. The Authority’s proportionate share of the collective net OPEB liability as of June 30, 2022 and 2021 was .1713% and .1724%, respectively.

At June 30, 2023 and 2022, the amounts recognized as the Authority’s proportionate share of the net OPEB liability were \$27,662,158 and \$31,037,563, respectively. For the years ended June 30, 2023 and 2022, the Authority recognized OPEB expense of \$198,704 and \$311,814, respectively. At June 30, 2023 and 2022, deferred outflows of resources and deferred inflows of resources related to OPEB are as follows:

	<u>June 30, 2023</u>		<u>June 30, 2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net Difference Between Expected and Actual Experience	\$ 1,428,503	\$ 5,127,388	\$ 696,446	\$ 6,493,516
Changes in Assumptions	3,691,630	9,440,561	4,464,846	5,486,254
Net Difference Between Projected and Actual Investment Earnings	7,282	-	14,840	-
Net Change in Proportions	2,488,820	1,960,783	2,820,319	2,075,178
Authority Contributions After the Measurement Date	3,068,819	-	2,823,595	-
	<u>\$ 10,685,054</u>	<u>\$ 16,528,732</u>	<u>\$ 10,820,046</u>	<u>\$ 14,054,948</u>

**NEW JERSEY WATER SUPPLY AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**F. EMPLOYEE BENEFITS (CONTINUED)**

**Post-Retirement Health Care Benefits (Continued)**

**Other Post-Employment Benefits (“OPEB”) Other than Pensions (Continued)**

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

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

Years Ending June 30,	Amortization
2023	\$ (2,366,380)
2024	(2,368,469)
2025	(1,870,345)
2026	(835,307)
2027	(187,273)
Thereafter	(1,284,723)
Total	<u>\$ (8,912,497)</u>

**G. MAJOR WATER CUSTOMERS**

During fiscal years 2023 and 2022, the Authority supplied water to 30 customers of the Raritan Basin System and 12 customers of the Manasquan System.

*Revenue*

During fiscal years 2023 and 2022, two customers accounted for approximately 86% and 85%, respectively, of total Raritan Basin System operating revenue. During fiscal years 2023 and 2022, two customers accounted for approximately 86% and 85%, respectively, of the total Manasquan System operating revenue.

*Accounts Receivable*

During fiscal years 2023 and 2022, two customers accounted for approximately 91% and 90%, respectively, of total Raritan Basin System water sales accounts receivable. During fiscal years 2023 and 2022, two customers accounted for approximately 91% and 95%, respectively, of the total Manasquan System water sales accounts receivable.

**H. RISK MANAGEMENT**

The Authority carries insurance for all of its facilities, covering direct physical loss or damage and loss of revenue resulting therefrom, with such deductibles as it deems appropriate. The Authority also carries General and Umbrella Public Liability Insurance with such self-insured retainers as it deems appropriate. Automotive and Public Officials Liability coverage is also maintained with deductibles. Workers' Compensation coverage is also maintained, as required by state law. Settled claims resulting from the aforementioned risks have not exceeded insurance coverage in any of the past three fiscal years.

**NEW JERSEY WATER SUPPLY AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

**I. INSURANCE REIMBURSEMENTS**

There are no insurance reimbursements included in “Other income” on the statements of revenues, expenses and changes in net position for the years ended June 30, 2023 and 2022.

**J. COMMITMENTS AND CONTINGENCIES**

**Commitments**

*Construction Projects*

The Authority had several outstanding or planned construction projects as of June 30, 2023. These projects are evidenced by contractual commitments with contractors and include:

Project	Awarded	Commitment Remaining
RV Reservoir Structures Refurbishment and Resource Preservation Project	\$ 83,392,222	\$ 21,374,360
Dredging of the D&R Canal from Kingston to Amwell Road	5,107,416	64,929
Spruce Run Dam Foundation Grouting Design & Inspection	4,127,700	3,800,470
Formal Inspection of the Dams, Dikes, and Appurtenant Structures at SR & RV	2,681,525	208,271
Rehabilitation of Landing Lane Spillway and Slope Downstream of Island Weir Farm	1,683,118	401,128
Rehabilitation of Four Pump Assemblies, Mechanical and Electrical Upgrades SBPS	1,049,432	661,846
SR Reservoir Multidisciplinary Release Works Improvement & Studies	964,000	607,400
Aquatic Plant Management of the D&R Canal	887,497	254,720
Stabilization of Canal @ Station 125 & 207	637,329	186,957
Stormwater Basin Retrofitting Franklin Township	547,314	25,565
Rehabilitation of Prallsville Culvert Pit	343,175	296,782
Rehab of Upper Canal Embankment - Raven Rock to Prallsville	314,042	127,126
	<u>\$ 101,734,770</u>	<u>\$ 28,009,554</u>

*Operating Leases*

Lease	Commencement Date	Payment Terms	Annual Payment Amount	Interest Rate	Total Lease Liability	Balance June 30, 2023
Various Copiers	01/01/22-12/31/25	48 Months	\$ 10,440	3.73%	\$ 38,738	\$ 24,884

The Authority has entered into leases for various copy machines. The interest rates on the leases are fixed based on an assumed incremental borrowing rate of 3.75% at lease commencement. All lease agreements contain a purchase option at the end of the lease term which the Authority does not expect to exercise; accordingly, the right-of-use assets are amortized at the useful life of the asset, which is four years for all leases.

Annual requirements to amortize long-term obligations and related interest are as follows:

Year Ending June 30,	Principal	Interest	Total
2024	\$ 9,677	\$ 763	\$ 10,440
2025	10,043	397	10,440
2026	5,164	56	5,220
	<u>\$ 24,884</u>	<u>\$ 1,216</u>	<u>\$ 26,100</u>

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NOTES TO FINANCIAL STATEMENTS

**J. COMMITMENTS AND CONTINGENCIES (CONTINUED)**

**Contingencies**

The Authority is party to various legal actions and disputes. Although the ultimate effect, if any, of these matters is not presently determinable, management believes that collectively they will not have a material effect on the results of operations or the financial position of the Authority.

**K. INFORMATION BY BUSINESS SEGMENT**

The Authority issued revenue bonds to finance the construction of various capital assets, including the construction of the reservoir systems for both the Manasquan and Raritan Basin Systems. Each of these Systems must provide sufficient revenue each year to cover its own operating expenses and debt service. Investors in the revenue bonds rely solely on the revenue generated by the individual activities for repayment. The chart represents information by Business Segment and is not consistent with the consolidated balances on the statement of net position. Summary financial information for the operating segments is presented below:

	<u>June 30, 2023</u>		<u>June 30, 2022*</u>	
	<u>Raritan Basin System</u>	<u>Manasquan Reservoir System</u>	<u>Raritan Basin System</u>	<u>Manasquan Reservoir System</u>
<b>Condensed statement of net position</b>				
<b>Assets and deferred outflows of resources:</b>				
Current assets	\$ 47,551,999	\$ 26,772,634	\$ 71,024,278	\$ 25,112,662
Restricted cash	13,458,087	6,365,487	29,396,027	6,233,843
Capital assets	189,746,975	45,577,908	176,725,120	47,091,124
Other non-current assets	33,156,399	1,595,057	-	-
Deferred outflows of resources	<u>3,247,388</u>	<u>13,869,677</u>	<u>1,720,912</u>	<u>12,612,810</u>
Total assets and deferred outflows of resources	<u>\$ 287,160,848</u>	<u>\$ 94,180,763</u>	<u>\$ 278,866,337</u>	<u>\$ 91,050,439</u>
<b>Liabilities and deferred inflows of resources:</b>				
Current liabilities	\$ 10,254,585	\$ 7,041,970	\$ 9,704,047	\$ 6,310,764
Non-current liabilities	144,682,042	48,747,443	146,551,723	49,626,219
Deferred inflows of resources	<u>15,203,039</u>	<u>4,335,175</u>	<u>17,243,815</u>	<u>5,134,546</u>
Total liabilities and deferred inflows of resources	<u>170,139,666</u>	<u>60,124,588</u>	<u>173,499,585</u>	<u>61,071,529</u>
<b>Net position:</b>				
Net investment in capital assets	76,989,720	30,928,520	61,308,771	31,795,330
Restricted for cash, investments and unearned revenue	12,551,434	738,304	28,842,542	1,323,709
Unrestricted	<u>27,480,028</u>	<u>2,389,351</u>	<u>15,215,439</u>	<u>(3,140,129)</u>
Total net position	<u>117,021,182</u>	<u>34,056,175</u>	<u>105,366,752</u>	<u>29,978,910</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 287,160,848</u>	<u>\$ 94,180,763</u>	<u>\$ 278,866,337</u>	<u>\$ 91,050,439</u>

\* Certain account balances have been reclassified to conform with current year presentations.

**NEW JERSEY WATER SUPPLY AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

**K. INFORMATION BY BUSINESS SEGMENT (CONTINUED)**

	Year Ended June 30, 2023		Year Ended June 30, 2022*	
	Raritan Basin System	Manasquan Reservoir System	Raritan Basin System	Manasquan Reservoir System
<b>Condensed statement of revenues, expenses and changes in net assets</b>				
Total operating revenues	\$ 24,898,964	\$ 7,552,538	\$ 23,414,896	\$ 7,360,343
Operating expenses	12,308,990	3,017,407	11,900,572	2,626,795
Depreciation	3,070,603	1,853,114	2,885,995	1,858,227
Operating income	9,519,371	2,682,017	8,628,329	2,875,321
Non-operating revenues	2,701,957	1,494,239	1,261,557	1,171,259
Non-operating expenses	566,898	98,991	482,748	121,403
Changes in net position	11,654,430	4,077,265	9,407,138	3,925,177
Net position, beginning of year	105,366,752	29,978,910	95,959,614	26,053,733
Net position, end of year	<u>\$ 117,021,182</u>	<u>\$ 34,056,175</u>	<u>\$ 105,366,752</u>	<u>\$ 29,978,910</u>
<b>Condensed statement of cash flows</b>				
Net cash provided by:				
Operating activities	\$ 11,757,150	\$ 3,697,417	\$ 8,636,194	\$ 4,143,423
Non-capital financing activities	85,382	-	192,324	-
Capital and related financing activities	(9,315,442)	(993,409)	(5,620,011)	(1,061,084)
Investing activities	(32,489,156)	(1,198,097)	326,755	27,499
Net increase in cash and cash equivalents	(29,962,066)	1,505,911	3,535,262	3,109,838
Beginning cash and cash equivalent balances	75,118,360	29,449,658	71,583,098	26,339,820
Ending cash and cash equivalent balances	<u>\$ 45,156,294</u>	<u>\$ 30,955,569</u>	<u>\$ 75,118,360</u>	<u>\$ 29,449,658</u>

\*Certain account balances have been reclassified to conform with current year presentations.

**L. ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

The GASB has issued Statement No. 87, "Leases." This statement was adopted by the Authority for the year ended June 30, 2022. The adoption of this statement resulted in a prior period restatement of net position and updated reporting for leases.

The GASB has issued Statement No. 89, "Accounting for Interest Cost Incurred before the End of a Construction Period." This statement was adopted by the Authority for the year ended June 30, 2022. The adoption of this statement had no effect on previously reported amounts.

The GASB has issued Statement No. 91, "Conduit Debt Obligations." This statement was adopted by the Authority for the year ended June 30, 2023. The adoption of this statement had no effect on previously reported amounts.

The GASB has issued Statement No. 92, "Omnibus 2020." This statement clarifies the effective date of Statement No. 87 and addresses other topics that were adopted by the Authority for the year ended June 30, 2023. The adoption of these provisions had no effect on previously reported amounts.

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NOTES TO FINANCIAL STATEMENTS

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**L. ADOPTION OF GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS (CONTINUED)**

The GASB has issued Statement No. 93, "*Replacement of Interbank Offered Rates.*" This statement was adopted by the Authority for the year ended June 30, 2022. The adoption of this statement had no effect on previously reported amounts.

The GASB has issued Statement No. 94, "*Public-Private and Public-Public Partnerships and Availability Payment Arrangements.*" This statement was adopted by the Authority for the year ended June 30, 2023. The adoption of this statement had no effect on previously reported amounts.

The GASB has issued Statement No. 95, "*Postponement of the Effective Dates of Certain Authoritative Guidance.*" This statement postponed the effective dates of applicable pending statements described above. The effective dates mentioned above are the applicable postponed dates as prescribed by statement No. 95. The adoption of this statement had no effect on previously reported amounts.

The GASB has issued Statement No. 96, "*Subscription-Based Information Technology Arrangements.*" This statement was adopted by the Authority for the year ended June 30, 2023. The adoption of this statement had no effect on previously reported amounts.

The GASB has issued Statement No. 97, "*Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans - an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB No. 32.*" This statement was adopted by the Authority for the year ended June 30, 2022. The adoption of this statement had no effect on previously reported amounts.

The GASB has issued Statement No. 98, "*The Annual Comprehensive Financial Report.*" This statement was adopted by the Authority for the year ended June 30, 2022. The adoption of this statement had no effect on previously reported amounts.

The GASB has issued Statement No. 99, "*Omnibus 2022.*" Certain provisions of this Statement were adopted by the Authority for the year ended June 30, 2022. The adoption of these provisions had no effect on previously reported amounts.

**M. PENDING GOVERNMENTAL ACCOUNTING STANDARDS BOARD (GASB) STATEMENTS**

The GASB has issued Statement No. 100, "*Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62.*" This statement is required to be adopted by the Authority for the year ending June 30, 2024. The Authority has not determined the effect of Statement No. 100 on the financial statements.

The GASB has issued Statement No. 101, "*Compensated Absences.*" This statement is required to be adopted by the Authority for the year ending June 30, 2025. The Authority has not determined the effect of Statement No. 101 on the financial statements.

**NEW JERSEY WATER SUPPLY AUTHORITY  
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NOTES TO FINANCIAL STATEMENTS

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**N. SUBSEQUENT EVENT**

Effective July 1, 2023, the Authority modified the capital asset definition to an asset as having an initial individual cost of \$5,000 (previously \$1,000) or more and an estimated useful life in excess of three years.

Effective July 1, 2023, Raritan Basin System water rates increased to \$365.00 per million gallons (8.6%). There were no changes to the Manasquan Water Supply System water rates for fiscal year 2024.

**REQUIRED SUPPLEMENTARY SCHEDULES (UNAUDITED)**



**NEW JERSEY WATER SUPPLY AUTHORITY  
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**SCHEDULE OF PROPORTIONATE SHARE OF PERS NET PENSION LIABILITY (NPL)  
DETERMINED AS OF JUNE 30, 2022, PERS MEASUREMENT DATE**

Fiscal Year	Authority's Proportion	Authority's Proportionate Share	Authority's Covered Payroll	Authority's Proportionate Share of NPL as a % of Covered Payroll	PERS Local Fiduciary Net Position as a % of Total Pension Liability
2023	0.11%	\$ 16,101,898	\$ 8,048,394	200%	68.63%
2022	0.10%	\$ 12,251,099	\$ 7,796,833	157%	84.48%
2021	0.11%	\$ 17,210,868	\$ 7,691,681	224%	58.32%
2020	0.10%	\$ 18,808,879	\$ 7,636,273	246%	56.27%
2019	0.10%	\$ 19,884,740	\$ 7,351,319	270%	45.37%
2018	0.10%	\$ 23,038,776	\$ 7,002,687	329%	47.58%
2017	0.10%	\$ 29,886,847	\$ 6,949,632	430%	40.14%
2016	0.10%	\$ 21,534,789	\$ 6,808,193	316%	47.94%

**SCHEDULE OF CONTRIBUTIONS**

Fiscal Year	Required Contribution	Contributions Recognized by PERS	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a % of Covered Payroll
2023	\$ 1,345,488	\$ 1,345,488	\$ -	\$ 7,927,695	16.97%
2022	\$ 1,211,114	\$ 1,211,114	\$ -	\$ 8,048,394	15.05%
2021	\$ 1,154,559	\$ 1,154,558	\$ 1	\$ 7,796,833	14.81%
2020	\$ 1,015,378	\$ 1,015,374	\$ 4	\$ 7,691,681	13.20%
2019	\$ 1,004,540	\$ 1,004,540	\$ -	\$ 7,636,273	13.15%
2018	\$ 916,857	\$ 916,857	\$ -	\$ 7,351,319	12.47%
2017	\$ 896,476	\$ 896,476	\$ -	\$ 7,002,687	12.80%
2016	\$ 823,798	\$ 823,798	\$ -	\$ 6,949,632	11.85%
2015	\$ 798,757	\$ 798,757	\$ -	\$ 6,808,193	11.73%

**SCHEDULE OF CHANGES IN NET PENSION LIABILITY**

Fiscal Year	Beginning Balance Net Pension Liability	Difference Between Expected and Actual Experience	Changes in Assumptions	Difference Between Expected and Actual Earnings	Changes in Proportion	Other Changes and Reclassifications	Ending Balance Net Pension Liability
2023	\$ 12,251,099	\$ (91,783)	\$ 1,936,464	\$ 3,893,704	\$ 348,687	\$ (2,236,273)	\$ 16,101,898
2022	\$ 17,210,868	\$ 105,513	\$ (4,297,667)	\$ (3,227,261)	\$ 207,088	\$ 2,252,558	\$ 12,251,099
2021	\$ 18,808,879	\$ 252,517	\$ (6,648,013)	\$ 588,281	\$ 885,389	\$ 3,323,815	\$ 17,210,868
2020	\$ 19,884,740	\$ 254,506	\$ (4,650,366)	\$ (296,905)	\$ 932,879	\$ 2,684,025	\$ 18,808,879
2019	\$ 23,038,776	\$ 276,673	\$ (3,081,406)	\$ (186,520)	\$ 346,971	\$ (509,754)	\$ 19,884,740
2018	\$ 29,886,847	\$ 542,484	\$ 17,016	\$ 156,878	\$ (73,348)	\$ (7,491,101)	\$ 23,038,776
2017	\$ 21,534,789	\$ 555,805	\$ 6,190,858	\$ 1,139,613	\$ 304,163	\$ 161,619	\$ 29,886,847
2016	\$ 18,141,342	\$ 513,147	\$ 1,739,535	\$ 735,251	\$ (206,140)	\$ 611,654	\$ 21,534,789
2015	\$ 19,250,440	\$ -	\$ 570,440	\$ (1,081,086)	\$ (772,427)	\$ 173,975	\$ 18,141,342

*The pension schedules are intended to show information for ten years. The State of New Jersey has issued nine years of pension information to the Authority. Additional years' information will be displayed as it becomes available.*

See independent auditors' report.

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
STATE HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN  
DETERMINED AS OF JUNE 30, 2022, OPEB MEASUREMENT DATE**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Authority's proportion of the net OPEB liability	0.1712870%	0.1724330%	0.1669870%	0.1591680%	0.1680130%	0.1639400%	0.1737960%
Authority's proportionate share of the net OPEB liability (asset)	\$ 27,662,158	\$ 31,037,563	\$ 29,968,511	\$ 21,561,010	\$ 26,321,955	\$ 33,469,644	\$ 37,744,085
Authority's covered payroll	\$ 7,927,695	\$ 8,048,394	\$ 7,796,833	\$ 7,691,681	\$ 7,636,273	\$ 7,351,319	\$ 7,002,687
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	348.9%	385.6%	384.4%	280.3%	344.7%	455.3%	539.0%
Plan fiduciary net position as a percentage of the total OPEB liability	(.36%)	0.28%	0.92%	1.98%	1.97%	1.03%	1.69%

*The OPEB schedules are intended to show information for ten years. The State of New Jersey has issued seven years of OPEB information to the Authority. Additional years' information will be displayed as it becomes available.*

**OTHER SUPPLEMENTARY INFORMATION**

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**COMBINING SCHEDULE OF NET POSITION  
JUNE 30, 2023**

	<b>Raritan Basin System</b>	<b>Manasquan Reservoir System</b>	<b>Elimination Entries</b>	<b>Combined Total</b>
<b>Assets</b>				
Current assets:				
Unrestricted assets:				
Cash and cash equivalents	\$ 31,698,207	\$ 24,590,082	\$ -	\$ 56,288,289
Unbilled sales	1,853,997	-	-	1,853,997
Accounts receivable, less allowance for doubtful accounts of \$1,000 at June 30, 2023	12,353,274	1,782,654	(168,392)	13,967,536
Interest receivable	268,730	16,814	-	285,544
Prepaid expenses and other current assets	1,377,791	383,084	-	1,760,875
Total unrestricted assets	<u>47,551,999</u>	<u>26,772,634</u>	<u>(168,392)</u>	<u>74,156,241</u>
Restricted assets:				
Cash equivalents	13,458,087	6,365,487	-	19,823,574
Total current assets	<u>61,010,086</u>	<u>33,138,121</u>	<u>(168,392)</u>	<u>93,979,815</u>
Non-current assets:				
Investments	33,156,399	1,595,057	-	34,751,456
Capital assets net of accumulated depreciation of \$168,245,336 at June 30, 2023	189,746,975	45,577,908	-	235,324,883
Total non-current assets	<u>222,903,374</u>	<u>47,172,965</u>	<u>-</u>	<u>270,076,339</u>
Total assets	<u>283,913,460</u>	<u>80,311,086</u>	<u>(168,392)</u>	<u>364,056,154</u>
Deferred outflows of resources				
Cost recovery	(8,157,196)	10,830,053	-	2,672,857
Pension related	2,373,143	643,436	-	3,016,579
OPEB related	8,288,866	2,396,188	-	10,685,054
Construction loan DEP fee	742,575	-	-	742,575
Total deferred outflows of resources	<u>3,247,388</u>	<u>13,869,677</u>	<u>-</u>	<u>17,117,065</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 287,160,848</u>	<u>\$ 94,180,763</u>	<u>\$ (168,392)</u>	<u>\$ 381,173,219</u>
<b>Liabilities</b>				
Current liabilities:				
Current portion of bonds, notes and loans payable	\$ 2,523,574	\$ 592,572	\$ -	\$ 3,116,146
Accounts payable	4,369,987	348,912	(168,392)	4,550,507
Accrued liabilities	2,454,371	473,303	-	2,927,674
Unearned revenue	906,653	5,627,183	-	6,533,836
Total current liabilities	<u>10,254,585</u>	<u>7,041,970</u>	<u>(168,392)</u>	<u>17,128,163</u>
Non-current liabilities:				
Non-current portion of bonds, notes and loans payable	110,233,681	39,406,864	-	149,640,545
Lease liability	19,178	5,706	-	24,884
Net pension liability	12,667,363	3,434,535	-	16,101,898
Total OPEB liability	21,761,820	5,900,338	-	27,662,158
Total non-current liabilities	<u>144,682,042</u>	<u>48,747,443</u>	<u>-</u>	<u>193,429,485</u>
Total liabilities	<u>154,936,627</u>	<u>55,789,413</u>	<u>(168,392)</u>	<u>210,557,648</u>
Deferred inflows of resources				
Pension related	2,199,886	596,460	-	2,796,346
OPEB related	13,003,153	3,525,579	-	16,528,732
Gain on refunding	-	213,136	-	213,136
Total deferred inflows of resources	<u>15,203,039</u>	<u>4,335,175</u>	<u>-</u>	<u>19,538,214</u>
<b>Net position</b>				
Net investment in capital assets	76,989,720	30,928,520	-	107,918,240
Restricted for cash, investments and unearned revenue	12,551,434	738,304	-	13,289,738
Unrestricted	27,480,028	2,389,351	-	29,869,379
Total net position	<u>117,021,182</u>	<u>34,056,175</u>	<u>-</u>	<u>151,077,357</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 287,160,848</u>	<u>\$ 94,180,763</u>	<u>\$ (168,392)</u>	<u>\$ 381,173,219</u>

See independent auditors' report.

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**COMBINING SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION  
YEAR ENDED JUNE 30, 2023**

	<b>Raritan Basin System</b>	<b>Manasquan Reservoir System</b>	<b>Manasquan Water Treatment Plant</b>	<b>Combined Total</b>
Operating revenue:				
Water sales	\$ 24,898,964	\$ 7,552,538	\$ -	\$ 32,451,502
Reimbursement of operating expenses	-	-	2,580,000	2,580,000
Total operating revenue	<u>24,898,964</u>	<u>7,552,538</u>	<u>2,580,000</u>	<u>35,031,502</u>
Operating expenses:				
Payroll	6,480,284	982,284	849,948	8,312,516
Operations and maintenance (direct)	4,872,093	1,260,958	966,701	7,099,752
Operations and maintenance (general and administrative)	-	108,587	72,022	180,609
Fringe benefits	1,705,613	19,578	2,159	1,727,350
Headquarters overhead	(749,000)	646,000	103,000	-
Depreciation	3,070,603	1,853,114	-	4,923,717
Total operating expenses	<u>15,379,593</u>	<u>4,870,521</u>	<u>1,993,830</u>	<u>22,243,944</u>
Income from operations	<u>9,519,371</u>	<u>2,682,017</u>	<u>586,170</u>	<u>12,787,558</u>
Non-operating revenue:				
State of New Jersey - Grant Programs	820,500	-	-	820,500
Investment and interest income	935,973	359,992	53,782	1,349,747
Rental income	60,987	-	-	60,987
Other income/(loss)	61,074	8,393	-	69,467
Recovery of deferred outflows of resources	823,423	1,125,854	-	1,949,277
Total non-operating revenue	<u>2,701,957</u>	<u>1,494,239</u>	<u>53,782</u>	<u>4,249,978</u>
Non-operating expenses:				
Interest component of debt service to the State of New Jersey	566,898	98,991	-	665,889
SMMUA operations, net	-	-	639,952	639,952
Total non-operating expenses	<u>566,898</u>	<u>98,991</u>	<u>639,952</u>	<u>1,305,841</u>
Changes in net position	11,654,430	4,077,265	-	15,731,695
Net position, beginning of year	105,366,752	29,978,910	-	135,345,662
Net position, end of year	<u>\$ 117,021,182</u>	<u>\$ 34,056,175</u>	<u>\$ -</u>	<u>\$ 151,077,357</u>

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**SCHEDULE OF CHANGES IN CASH AND INVESTMENTS - RARITAN BASIN SYSTEM  
YEAR ENDED JUNE 30, 2023**

	Operating Fund											Subtotal
	Revenue Account	Operating Account	Payroll Account	Operating Fund	Reserve for O&M	Self-Insurance Reserve	Depreciation Reserve	Dredging RV/SR Investments	Pumping Reserve	Capital Improvements Investments II	Source Water Protection Fund	
Cash and investments - July 1, 2022	\$ 485,715	\$ 2,060,817	\$ 177,816	\$ 1,739,046	\$ 3,650,364	\$ 931,682	\$ 4,862,142	\$ -	\$ 2,036,986	\$ 76,158	\$ 4,385,012	\$ 20,405,738
Cash receipts:												
Water sales operations and maintenance	13,592,191	-	-	-	-	-	-	-	-	-	-	13,592,191
Water sales NJEIFP	5,946,607	-	-	-	-	-	-	-	-	-	-	5,946,607
Water sales capital fund	2,308,683	-	-	-	-	-	-	-	-	-	-	2,308,683
Water sales source water protection fund	1,679,041	-	-	-	-	-	-	-	-	-	-	1,679,041
Water sales overdrafts	2,434,477	-	-	-	-	-	-	-	-	-	-	2,434,477
Rental income	44,896	-	-	-	-	-	-	-	-	-	-	44,896
Manasquan reservoir support	49,029	-	-	-	-	-	-	-	-	-	-	49,029
Headquarters overhead	-	-	-	733,250	-	-	-	-	-	-	-	733,250
Disposition of property	896,280	-	-	-	-	-	-	-	-	-	-	896,280
Recycling revenue	2,074	-	-	-	-	-	-	-	-	-	-	2,074
Sale/Transfer for investment securities	-	-	-	-	2,500,048	750,000	3,500,000	-	-	7,000,000	-	13,750,048
Grant Programs	1,097,236	-	-	-	-	-	-	-	-	-	-	1,097,236
Insurance reimbursement	198,824	-	-	-	-	-	-	-	-	-	-	198,824
Miscellaneous expense reimbursement	1,477,377	8,254	-	-	-	-	-	-	-	-	-	1,485,631
Transfers:												
Contributions from operating fund	1,086,340	29,146,097	3,899,166	(46,244,531)	-	-	351,076	-	150,000	-	565,968	(11,045,884)
Contributions to operating fund	-	-	-	18,100,936	-	-	(214,004)	-	(359,408)	-	(623,755)	16,903,769
Transfers for operations	(30,394,500)	8,112	-	30,394,500	-	-	-	20,000,000	-	-	-	20,008,112
Transfers for investments	-	-	-	-	-	-	-	-	-	-	-	-
Distribution from reserves to operations	200,000	10,700	-	168,143	-	-	(168,143)	-	-	-	(200,000)	10,700
Investment income	7,475	39,011	-	37,868	97,843	24,972	130,785	121,131	33,292	246,324	66,137	804,838
Per resolution, Section 603:												
Investment income, transfer from	362,193	-	-	(37,869)	(59,370)	(17,191)	(72,995)	-	-	(174,768)	-	-
Investment income, transfer to	(53,570)	-	-	-	53,976	(406)	-	-	-	-	-	-
Unrealized gain/(loss) on fair value	-	-	-	-	(91,297)	(22,851)	(115,327)	(97,484)	-	(201,445)	-	(528,404)
Total cash receipts	934,653	29,212,174	3,899,166	3,152,297	2,501,200	734,524	3,411,392	20,023,647	(176,116)	6,870,111	(191,650)	70,371,398
Total available cash and investments	\$ 1,420,368	\$ 31,272,991	\$ 4,076,982	\$ 4,891,343	\$ 6,151,564	\$ 1,666,206	\$ 8,273,534	\$ 20,023,647	\$ 1,860,870	\$ 6,946,269	\$ 4,193,362	\$ 90,777,136

See independent auditors' report.

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**SCHEDULE OF CHANGES IN CASH AND INVESTMENTS - RARITAN BASIN SYSTEM (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

	Subtotal	Parity SWP Bond Fund	Subordinated SWP Bond Fund	Major Rehabilitation	Capital Improvement Fund	D&R Mitigation Fund	D&R Canal Dredging	Capital Equipment Reserve	Rate Stabilization Fund	Employment Benefit Funds	Totals
Cash and investments - July 1, 2022	\$ 20,405,738	\$ 339,644	\$ 661,317	\$ 1,413,335	\$ 19,611,839	\$ 650,497	\$ 28,698,298	\$ 1,226,919	\$ 88,033	\$ 2,022,740	\$ 75,118,360
Cash receipts:											
Water sales operations and maintenance	13,592,191	-	-	-	-	-	-	-	-	-	13,592,191
Water sales NJEIFP	5,946,607	-	-	-	-	-	-	-	-	-	5,946,607
Water sales capital fund	2,308,683	-	-	-	-	-	-	-	-	-	2,308,683
Water sales source water protection fund	1,679,041	-	-	-	-	-	-	-	-	-	1,679,041
Water sales overdrafts	2,434,477	-	-	-	-	-	-	-	-	-	2,434,477
Rental income	44,896	-	-	-	-	-	-	-	-	-	44,896
Manasquan reservoir support	49,029	-	-	-	-	-	-	-	-	-	49,029
Headquarters overhead	733,250	-	-	-	-	-	-	-	-	-	733,250
Disposition of property	896,280	-	-	-	-	-	-	-	-	-	896,280
Recycling revenue	2,074	-	-	-	-	-	-	-	-	-	2,074
Sale/Transfer for investment securities	13,750,048	-	-	-	-	-	-	-	-	-	13,750,048
Grant Programs	1,097,236	-	-	-	-	-	-	-	-	-	1,097,236
Insurance reimbursement	198,824	-	-	-	-	-	-	-	-	-	198,824
Miscellaneous expense reimbursement	1,485,631	-	-	-	9,000,866	-	-	-	-	6,505	10,493,002
Transfers:											
Contributions from operating fund	(11,045,884)	317,412	713,904	-	3,193,274	8,940	5,657,067	150,000	-	1,005,287	-
Contributions to operating fund	16,903,769	-	-	-	(15,749,213)	(85,075)	-	-	-	(1,069,481)	-
Transfers for operations	20,008,112	-	-	-	-	-	(20,000,000)	-	-	(8,112)	-
Transfers for investments	-	-	-	-	-	-	-	-	-	-	-
Distribution from reserves to operations	10,700	-	-	-	-	-	-	-	-	(10,700)	-
Investment income	804,838	2,807	6,061	22,063	167,644	8,548	463,970	20,414	832	31,931	1,529,108
Per resolution, Section 603:											
Investment income, transfer from	-	-	-	-	-	-	-	-	-	-	-
Investment income, transfer to	-	-	-	-	-	-	-	-	-	-	-
Unrealized gain/(loss) on fair value	(528,404)	-	-	-	-	-	-	-	-	-	(528,404)
Total cash receipts	70,371,398	320,219	719,965	22,063	(3,387,429)	(67,587)	(13,878,963)	170,414	832	(44,570)	54,226,342
Total available cash and investments	\$ 90,777,136	\$ 659,863	\$ 1,381,282	\$ 1,435,398	\$ 16,224,410	\$ 582,910	\$ 14,819,335	\$ 1,397,333	\$ 88,865	\$ 1,978,170	\$ 129,344,702

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**SCHEDULE OF CHANGES IN CASH AND INVESTMENTS - RARITAN BASIN SYSTEM (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

	Operating Fund											Subtotal
	Revenue Account	Operating Account	Payroll Account	Operating Fund	Reserve for O&M	Self-Insurance Reserve	Depreciation Reserve	Dredging RV/SR Investments	Pumping Reserve	Capital Improvements Investments II	Source Water Protection Fund	
Total available cash and investments	\$ 1,420,368	\$ 31,272,991	\$ 4,076,982	\$ 4,891,343	\$ 6,151,564	\$ 1,666,206	\$ 8,273,534	\$ 20,023,647	\$ 1,860,870	\$ 6,946,269	\$ 4,193,362	\$ 90,777,136
Cash disbursements:												
Payroll	-	-	3,899,182	-	-	-	-	-	-	-	-	3,899,182
Fringe benefits	-	40,675	-	1,699,447	-	-	-	-	-	-	-	1,740,122
Employee deferred compensation and credit union	-	2,104,557	-	(79,282)	-	-	-	-	-	-	-	2,025,275
Operations and maintenance	-	27,086,625	-	(863,687)	-	-	-	-	-	-	-	26,222,938
Prepaid insurance	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous disbursements	-	-	-	-	1,079	792	2,973	33,885	-	26,258	-	64,987
Watershed Management Fund	-	-	-	-	-	-	-	-	-	-	-	-
Capital improvements:												
Capital assets	-	-	-	-	-	-	-	-	-	-	-	-
New five-year construction project	-	-	-	-	-	-	-	-	-	-	-	-
Purchase/Sale of investments securities	-	-	-	-	2,500,048	750,000	3,500,000	-	-	-	-	6,750,048
Principal on NJEIT bonds	-	-	-	-	-	-	-	-	-	-	-	-
Interest, Fees and Credits on NJIB loans	-	-	-	-	-	-	-	-	-	-	-	-
Total cash disbursements	-	29,231,857	3,899,182	756,478	2,501,127	750,792	3,502,973	33,885	-	26,258	-	40,702,552
Cash and investments - June 30, 2023	\$ 1,420,368	\$ 2,041,134	\$ 177,800	\$ 4,134,865	\$ 3,650,437	\$ 915,414	\$ 4,770,561	\$ 19,989,762	\$ 1,860,870	\$ 6,920,011	\$ 4,193,362	\$ 50,074,584
Summary of cash and investments:												
Cash	\$ 1,420,368	\$ 2,041,134	\$ 177,800	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,639,302
Short-term investments	-	-	-	4,134,865	1,209,629	181,730	1,352,896	1	1,860,870	76,800	4,193,362	13,010,153
Long-term investments, including interest receivable	-	-	-	-	2,440,808	733,684	3,417,665	19,989,761	-	6,843,211	-	33,425,129
Restricted Investments (current)	-	-	-	-	-	-	-	-	-	-	-	-
Restricted Investments (long-term)	-	-	-	-	-	-	-	-	-	-	-	-
Total cash and investments	\$ 1,420,368	\$ 2,041,134	\$ 177,800	\$ 4,134,865	\$ 3,650,437	\$ 915,414	\$ 4,770,561	\$ 19,989,762	\$ 1,860,870	\$ 6,920,011	\$ 4,193,362	\$ 50,074,584



**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**SCHEDULE OF CHANGES IN CASH AND INVESTMENTS - RARITAN BASIN SYSTEM (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

	Subtotal	Parity SWP Bond Fund	Subordinated SWP Bond Fund	Major Rehabilitation	Capital Improvement Fund	D&R Mitigation Fund	D&R Canal Dredging	Capital Equipment Reserve	Rate Stabilization Fund	Employment Benefit Funds	
Total available cash and investments	\$ 90,777,136	\$ 659,863	\$ 1,381,282	\$ 1,435,398	\$ 16,224,410	\$ 582,910	\$ 14,819,335	\$ 1,397,333	\$ 88,865	\$ 1,978,170	\$ 129,344,702
Cash disbursements:											
Payroll	3,899,182	-	-	-	-	-	-	-	-	-	3,899,182
Fringe benefits	1,740,122	-	-	-	-	-	-	-	-	-	1,740,122
Employee deferred compensation and credit union	2,025,275	-	-	-	-	-	-	-	-	-	2,025,275
Operations and maintenance	26,222,938	-	-	-	-	-	-	-	-	-	26,222,938
Prepaid insurance	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous disbursements	64,987	-	-	-	-	-	-	-	-	60,206	125,193
Watershed Management Fund	-	-	-	-	-	-	-	-	-	-	-
Capital improvements:											
Capital assets	-	-	-	-	-	-	-	-	-	-	-
New five-year construction project	-	-	-	-	-	-	-	-	-	-	-
Purchase/Sale of investments securities	6,750,048	-	-	-	7,000,000	-	-	-	-	-	13,750,048
Principal on NJEIT bonds	-	301,735	632,970	-	-	-	1,681,158	-	-	-	2,615,863
Interest, Fees and Credits on NJIB loans	-	9,277	64,474	-	-	-	310,907	-	-	-	384,658
Total cash disbursements	40,702,552	311,012	697,444	-	7,000,000	-	1,992,065	-	-	60,206	50,763,279
Cash and investments - June 30, 2023	\$ 50,074,584	\$ 348,851	\$ 683,838	\$ 1,435,398	\$ 9,224,410	\$ 582,910	\$ 12,827,270	\$ 1,397,333	\$ 88,865	\$ 1,917,964	\$ 78,581,423
Summary of cash and investments:											
Cash	\$ 3,639,302	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 47,815	\$ 3,687,117
Short-term investments	13,010,153	348,851	683,838	1,435,398	9,224,410	582,910	12,827,270	1,397,333	88,865	1,870,149	41,469,177
Long-term investments, including interest receivable	33,425,129	-	-	-	-	-	-	-	-	-	33,425,129
Restricted Investments (current)	-	-	-	-	-	-	-	-	-	-	-
Restricted Investments (long-term)	-	-	-	-	-	-	-	-	-	-	-
Total cash and investments	\$ 50,074,584	\$ 348,851	\$ 683,838	\$ 1,435,398	\$ 9,224,410	\$ 582,910	\$ 12,827,270	\$ 1,397,333	\$ 88,865	\$ 1,917,964	\$ 78,581,423

See independent auditors' report.

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**SCHEDULE OF CHANGES IN CASH AND INVESTMENTS - MANASQUAN WATER SUPPLY SYSTEM  
YEAR ENDED JUNE 30, 2023**

	Operating Fund													Subtotal
	Revenue Account	Operating Account	Payroll Account	Operating Fund	Reserve for O&M	Self - Insurance Reserve	Renewal and Replacement Account	Water Reuse & Recycling	Source Water Protection	Depreciation Reserve	Pumping Reserve	Capital Improvement Fund	Sediment Reserve	
Cash and investments - July 1, 2022	\$ 338,394	\$ 376,214	\$ 55,872	\$ 7,764,044	\$ 1,604,939	\$ 217,965	\$ 4,064,117	\$ 30,386	\$ 1,456,030	\$ 605,759	\$ 154,799	\$ 5,605,535	\$ 346,297	\$ 22,620,351
Cash receipts:														
Water sales operations and maintenance	3,073,179	-	-	-	-	-	-	-	-	-	-	-	-	3,073,179
Water sales capital fund	3,096,760	-	-	-	-	-	-	-	-	-	-	-	-	3,096,760
Water sales debt service	710,512	-	-	-	-	-	-	-	-	-	-	-	-	710,512
Source water protection	103,510	-	-	-	-	-	-	-	-	-	-	-	-	103,510
Water sales debt service NJEIT	172,034	-	-	-	-	-	-	-	-	-	-	-	-	172,034
Water sales overdrafts	195,141	-	-	-	-	-	-	-	-	-	-	-	-	195,141
NJ-American pumping costs	216,232	-	-	-	-	-	-	-	-	-	-	-	-	216,232
Headquarters overhead	-	-	-	(307,250)	-	-	-	-	-	-	-	-	-	(307,250)
Reimbursement of WTP capital expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Disposition of assets	8,000	-	-	-	-	-	-	-	-	-	-	-	-	8,000
Reimbursement from/(to) Raritan Basin	27,739	-	-	-	1,000,000	150,000	-	-	400,000	100,000	-	-	-	1,677,739
Sale/Transfer for investment securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Nonrefundable bid deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Miscellaneous reimbursement	11,324	-	-	-	-	-	-	-	-	3,289	-	-	-	14,613
Transfers:														
Contributions from operating fund	-	5,456,768	1,112,678	(11,653,145)	-	-	120,000	-	106,452	29,962	-	3,199,664	30,000	(1,597,621)
Contributions to operating fund	-	-	-	2,058,965	-	-	(297,094)	-	(115,276)	(6,009)	-	-	(119,972)	1,520,614
Transfers for operations	(8,530,770)	-	-	8,530,770	-	-	-	-	-	-	-	-	-	-
Distribution from reserves to operations	584,130	4,405	-	-	-	-	-	-	-	-	-	-	-	588,535
Investment income	2,183	8,893	-	113,428	39,972	5,171	63,739	15	22,614	14,692	3,435	121,891	5,101	401,134
Per resolution, Section 603:														
Investment income, transfer from	162,172	-	-	(113,429)	(29,427)	(2,988)	-	-	-	(9,089)	(1,981)	-	(5,101)	157
Investment income, transfer to	(129,029)	-	-	129,029	-	-	-	-	-	-	-	-	-	-
Unrealized gain/(loss) on fair value	-	-	-	-	(32,094)	(5,603)	-	-	-	(10,685)	(3,735)	-	-	(52,117)
Total cash receipts	(296,883)	5,470,066	1,112,678	(1,241,632)	978,451	146,580	(113,355)	15	13,790	422,160	97,719	3,321,555	(89,972)	9,821,172
Total available cash and investments	\$ 41,511	\$ 5,846,280	\$ 1,168,550	\$ 6,522,412	\$ 2,583,390	\$ 364,545	\$ 3,950,762	\$ 30,401	\$ 1,469,820	\$ 1,027,919	\$ 252,518	\$ 8,927,090	\$ 256,325	\$ 32,441,523

See independent auditors' report.

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**SCHEDULE OF CHANGES IN CASH AND INVESTMENTS - MANASQUAN WATER SUPPLY SYSTEM (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

	Water Treatment Plant/Transmission System											Rebate Fund	General Reserve Fund	Employment Benefit Funds	Totals
	Subtotal	Operating Account	Operating Fund	Residuals Reserve	Carbon Filter Reserve	Self - Insurance Reserve	Capital Improvement Reserve	NJEIT Debt Service	2016 Debt Service Account	2016 Debt Service Reserve					
Cash and investments - July 1, 2022	\$ 22,620,351	\$ 48,848	\$ 3,025,287	\$ 9,480	\$ 98,416	\$ 253,136	\$ 78,178	\$ 169,346	\$ 553,796	\$ 1,746,553	\$ 250,803	\$ 41,197	\$ 554,267	\$ 29,449,658	
Cash receipts:															
Water sales operations and maintenance	3,073,179	-	-	-	-	-	-	-	-	-	-	-	-	3,073,179	
Water sales capital fund	3,096,760	-	-	-	-	-	-	-	-	-	-	-	-	3,096,760	
Water sales debt service	710,512	-	-	-	-	-	-	-	-	-	-	-	-	710,512	
Source water protection	103,510	-	-	-	-	-	-	-	-	-	-	-	-	103,510	
Water sales debt service NJEIT	172,034	-	-	-	-	-	-	-	-	-	-	-	-	172,034	
Water sales overdrafts	195,141	-	-	-	-	-	-	-	-	-	-	-	-	195,141	
NJ-American pumping costs	216,232	-	-	-	-	-	-	-	-	-	-	-	-	216,232	
Headquarters overhead	(307,250)	-	2,580,000	-	-	-	-	-	-	-	-	-	-	2,272,750	
Reimbursement of WTP capital expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Disposition of assets	8,000	-	-	-	-	-	-	-	-	-	-	-	-	8,000	
Reimbursement from/(to) Raritan Basin	1,677,739	-	-	-	-	-	-	-	-	-	-	-	-	1,677,739	
Sale/Transfer for investment securities	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Nonrefundable bid deposits	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Miscellaneous reimbursement	14,613	697	130,007	-	-	-	-	-	-	-	-	-	-	145,317	
Transfers:															
Contributions from operating fund	(1,597,621)	1,199,985	(1,325,900)	-	-	-	107,697	176,920	591,588	-	-	584,130	263,201	-	
Contributions to operating fund	1,520,614	-	(1,481,399)	-	-	-	(35,207)	-	-	-	-	-	(4,008)	-	
Transfers for operations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Distribution from reserves to operations	588,535	-	-	-	-	-	-	-	-	-	-	(584,130)	(4,405)	-	
Investment income	401,134	2,140	46,395	-	997	3,466	785	1,603	-	-	3,439	157	7,440	467,556	
Per resolution, Section 603:															
Investment income, transfer from	157	-	1,300	-	(238)	(1,062)	-	-	-	-	-	(157)	-	-	
Investment income, transfer to	-	-	-	-	-	-	-	-	-	-	-	-	-	-	
Unrealized gain/(loss) on fair value	(52,117)	-	-	-	-	-	-	-	-	-	-	-	-	(52,117)	
Total cash receipts	9,821,172	1,202,822	(49,597)	-	759	2,404	73,275	178,523	591,588	-	3,439	-	262,228	12,086,613	
Total available cash and investments	\$ 32,441,523	\$ 1,251,670	\$ 2,975,690	\$ 9,480	\$ 99,175	\$ 255,540	\$ 151,453	\$ 347,869	\$ 1,145,384	\$ 1,746,553	\$ 254,242	\$ 41,197	\$ 816,495	\$ 41,536,271	

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**SCHEDULE OF CHANGES IN CASH AND INVESTMENTS - MANASQUAN WATER SUPPLY SYSTEM (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

	Operating Fund													Subtotal
	Revenue Account	Operating Account	Payroll Account	Operating Fund	Reserve for O&M	Self - Insurance Reserve	Renewal and Replacement Account	Water Reuse & Recycling	Source Water Protection	Depreciation Reserve	Pumping Reserve	Capital Improvement Fund	Sediment Reserve	
Total available cash and investments	\$ 41,511	\$ 5,846,280	\$ 1,168,550	\$ 6,522,412	\$ 2,583,390	\$ 364,545	\$ 3,950,762	\$ 30,401	\$ 1,469,820	\$ 1,027,919	\$ 252,518	\$ 8,927,090	\$ 256,325	\$ 32,441,523
Cash disbursements:														
Payroll	-	-	1,112,678	-	-	-	-	-	-	-	-	-	-	1,112,678
Fringe benefits	-	(2,321)	-	254,535	-	-	-	-	-	-	-	-	-	252,214
Employee deferred compensation and credit union	-	2,141,534	-	(1,699,447)	-	-	-	-	-	-	-	-	-	442,087
Operations and maintenance	-	2,158,184	-	866,975	1,084	5	-	-	-	617	5	-	-	3,026,870
NJ-American pumping costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Headquarters overhead	-	-	-	323,000	-	-	-	-	-	-	-	-	-	323,000
Capital assets reservoir	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital improvement program (reservoir)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Investments securities	-	-	-	-	1,000,000	150,000	-	-	-	400,000	100,000	-	-	1,650,000
Principal on bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Interest, Fees and Credits on NJIB loans and bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash disbursements	-	4,297,397	1,112,678	(254,937)	1,001,084	150,005	-	-	-	400,617	100,005	-	-	6,806,849
Cash and investments - June 30, 2023	\$ 41,511	\$ 1,548,883	\$ 55,872	\$ 6,777,349	\$ 1,582,306	\$ 214,540	\$ 3,950,762	\$ 30,401	\$ 1,469,820	\$ 627,302	\$ 152,513	\$ 8,927,090	\$ 256,325	\$ 25,634,674
Summary of cash and investments:														
Cash (Manasquan)	\$ 41,511	\$ 1,548,883	\$ 55,872	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,646,266
Cash (Water Treatment Plant/TS)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Short-term investments	-	-	-	6,777,349	605,718	67,960	3,950,762	30,401	1,469,820	236,320	54,792	8,927,090	256,325	22,376,537
Short-term investments (Water Treatment Plant/TS)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Long-term investments, including interest receivable	-	-	-	-	976,588	146,580	-	-	-	390,982	97,721	-	-	1,611,871
Restricted investments (current)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Restricted investments (long-term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash and investments	\$ 41,511	\$ 1,548,883	\$ 55,872	\$ 6,777,349	\$ 1,582,306	\$ 214,540	\$ 3,950,762	\$ 30,401	\$ 1,469,820	\$ 627,302	\$ 152,513	\$ 8,927,090	\$ 256,325	\$ 25,634,674

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**SCHEDULE OF CHANGES IN CASH AND INVESTMENTS - MANASQUAN WATER SUPPLY SYSTEM (CONTINUED)  
YEAR ENDED JUNE 30, 2023**

	Water Treatment Plant/Transmission System											Totals		
	Subtotal	Operating Account	Operating Fund	Residuals Reserve	Carbon Filter Reserve	Self - Insurance Reserve	Capital Improvement Reserve	NJEIT Debt Service	2016 Debt Service Account	2016 Debt Service Reserve	Rebate Fund		General Reserve Fund	Employment Benefit Funds
Total available cash and investments	\$ 32,441,523	\$ 1,251,670	\$ 2,975,690	\$ 9,480	\$ 99,175	\$ 255,540	\$ 151,453	\$ 347,869	\$ 1,145,384	\$ 1,746,553	\$ 254,242	\$ 41,197	\$ 816,495	\$ 41,536,271
Cash disbursements:														
Payroll	1,112,678	-	-	-	-	-	-	-	-	-	-	-	-	1,112,678
Fringe benefits	252,214	-	-	-	-	-	-	-	-	-	-	-	2,321	254,535
Employee deferred compensation and credit union	442,087	-	-	-	-	-	-	-	-	-	-	-	-	442,087
Operations and maintenance	3,026,870	1,018,494	170	-	-	-	-	-	-	-	-	-	286,968	4,332,502
NJ-American pumping costs	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Prepaid insurance	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Headquarters overhead	323,000	-	103,000	-	-	-	-	-	-	-	-	-	-	426,000
Capital assets reservoir	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Capital improvement program (reservoir)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Purchase of Investments securities	1,650,000	-	-	-	-	-	-	-	-	-	-	-	-	1,650,000
Principal on bonds	-	-	-	-	-	-	-	152,572	493,294	-	-	-	-	645,866
Interest, Fees and Credits on NJIB loans and bonds	-	-	-	-	-	-	-	16,494	88,669	-	-	-	-	105,163
Total cash disbursements	-	1,018,494	103,170	-	-	-	-	169,066	581,963	-	-	-	289,289	8,968,831
Cash and investments - June 30, 2023	\$ -	\$ 233,176	\$ 2,872,520	\$ 9,480	\$ 99,175	\$ 255,540	\$ 151,453	\$ 178,803	\$ 563,421	\$ 1,746,553	\$ 254,242	\$ 41,197	\$ 527,206	\$ 32,567,440
Summary of cash and investments:														
Cash (Manasquan)	\$ 1,646,266	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,646,266
Cash (Water Treatment Plant/TS)	-	233,176	-	-	-	-	-	-	-	-	-	-	-	233,176
Short-term investments	22,376,537	-	-	-	-	-	-	-	-	-	-	41,197	527,206	22,944,940
Short-term investments (Water Treatment Plant/TS)	-	-	2,872,520	9,480	99,175	255,540	151,453	-	-	-	-	-	-	3,388,168
Long-term investments, including interest receivable	1,611,871	-	-	-	-	-	-	-	-	-	-	-	-	1,611,871
Restricted investments (current)	-	-	-	-	-	-	-	178,803	563,421	1,746,553	254,242	-	-	2,743,019
Restricted investments (long-term)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total cash and investments	\$ 25,634,674	\$ 233,176	\$ 2,872,520	\$ 9,480	\$ 99,175	\$ 255,540	\$ 151,453	\$ 178,803	\$ 563,421	\$ 1,746,553	\$ 254,242	\$ 41,197	\$ 527,206	\$ 32,567,440

**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**

To the Commissioners of  
New Jersey Water Supply Authority

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the New Jersey Water Supply Authority (a component unit of the State of New Jersey) (the "Authority"), as of and for the year ended June 30, 2023, and the related notes to financial statements, which comprise the Authority's basic financial statements, and have issued our report thereon dated November 2, 2023.

**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 opinion 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.

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

**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 (CONTINUED)**

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Authority's financial statements are free from 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 results 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.

*Mercadieu, P.C.*  
*Certified Public Accountants*

November 2, 2023

**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**SCHEDULE OF CURRENT YEAR FINDINGS AND RECOMMENDATIONS**

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None reported.



**NEW JERSEY WATER SUPPLY AUTHORITY  
(A COMPONENT UNIT OF THE STATE OF NEW JERSEY)**

**SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS**

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None reported.