

THE LANDIS SEWERAGE AUTHORITY
REGULAR MEETING
December 16, 2024

Pledge of Allegiance.

The regular meeting of the Landis Sewerage Authority was called to order by Chairman Reuben at 6:00 p.m. The following members were present at roll call: Barse, Headley, Angelo and Reuben were present. Miranda was absent.

Proper notice was given to all members in accordance with the by-laws.

Chairman Reuben stated that public notice of this meeting, pursuant to the Open Public Meeting Act, has been given in the following manner:

1. Posting written notice in the lobby entrance of the Authority.
2. Delivering notices to the offices of the Daily Journal and The Press.
3. Filing written notices in the offices of the Authority and City Clerk.

Also present:	Anthony K. Tobolski	Executive Director
	Tyler E. Seifrit, P.E.	Authority Engineer
	Robert A. De Santo	Solicitor
	Stephen P. Testa, CPA	Auditor
	Carol A. Ricci	Executive Assistant

It was moved by Barse and seconded by Angelo that the reading of the minutes of the regular meeting held on December 2, 2024, be dispensed with and the same be approved in the form submitted to all members by mail. Roll call: Barse, Angelo and Reuben voted “yes”. Headley abstained.

Joe Reuben turned the meeting over to Stephen P. Testa to give the 2023 audit report.

Steve Testa reported as follows:

We reviewed the draft audit report in detail with the finance committee and management. Copies of the draft report were also distributed to the rest of the Authority members. There were no substantive changes from the Draft to the Final Report. The Audit Report will be filed with the NJDLGS upon the Commissioner’s acknowledgement of review of the report. This is a brief overview of the report at this time and would welcome any questions you may have.

There was a prior period adjustment necessary for the 2022 financial statements that are contained in the 2023 Audit Report. In 2023, the Authority’s previous implementation of GASB 87 – Leases should have included a lease with SJ Gas which means a lease receivable and deferred inflow related to leases should have been established for the net

present value of future lease payments. The impact was to establish a lease receivable and deferred inflow related to leases as of 12/31/2022 in the amount of \$2,820,403. This restatement had no impact on the net position of the Authority. This information is disclosed in Note 9 to the financial statements on pages 46 and 47.

The Authority did implement several GASB Statements as noted in the Notes to the Financial Statements and the Governance Letter, however none of them had a material effect on the Authority's financial statements.

The Authority received an unmodified or clean opinion on its financial statements for the years ended December 31, 2023 and 2022 as reflected on Pages 1-4, which says, in our opinion, the basic financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Authority for the years ended December 31, 2023 and 2022 in accordance with GAAP.

Since this audit is subject to Government Auditing Standards, there is also a report on compliance and on internal control over financial reporting on pages 5 & 6. With respect to internal control over financial reporting, there were no material weaknesses or significant deficiencies to be reported.

With respect to compliance, we noted no instances of noncompliance that were required to be reported under Government Auditing Standards and audit requirements prescribed by the Division of Local Government Services of the State of New Jersey. So there were no findings or recommendations to be reported. As a result, the Authority is not required to file a Corrective Action Plan.

Also, I would like to briefly review some financial highlights.

Management prepared the Required Supplementary Information, namely the Management Discussion and Analysis section which is a reader friendly summary of the financial statements including comparisons to the prior year's information on pages 7 – 12.

Review Exhibit B on page 15 used our comparison Exhibit B with the Variances. Operating Revenues which the Authority defines as user charges and fees, connection fees, income from its farm operation, lab testing fees and receiving station income, increased from \$11,275 million in 2022 to \$11,903 million in 2023; an increase of approximately \$627,000 or 5.56%.

The user charges and fees increased \$465,000 or 4.36% due to additional industrial flows. Connection Fees increased \$124,000 over the prior year as did other operating revenues, consisting of lab testing fees, hay sales and receiving station income decreased \$39,000 in total from the prior year.

Total operating expenses, which include depreciation, increased from \$112.035 million

in 2022 to \$12.885 million in 2023 which is an increase of approximately \$850,000 or 7.07%.

The Authority's costs of providing services increased by \$608,000 or approximately 8.45% on a GAAP basis. On a budgetary basis on schedule 2, page 49, the costs of providing services increased by \$272,000 or 3.44%. The GAAP increase was more than the budgetary increase, again because of the difference in the GAAP vs. Budgetary Basis Pension expense. The largest increases in the cost of providing services are in the areas of salaries (+1.22%) benefits (6.92%) utilities (16.82%), chemicals (22.41% and farm maintenance and utilities (17.59%).

The Admin and General Expenses increased by \$230,000 (11.24%) on a GAAP basis and \$131,000 (5.81%) on a budgetary basis. The GAAP increase was more than the budgetary increase again because of the difference in the GAAP vs. Budgetary Basis Pension expense. The largest increases in the Admin and General Expenses are in the areas of benefits (6.18%), insurance (10.34%) and miscellaneous (dues, tuition, regulatory fees (47.48%).

The Authority's non-operating revenue expenses, netted to an expense of (\$60,000) in 2023 compared to an expense of (\$769,000) in 2022 which is a positive swing of \$709,000. Primary reasons are 1) an increase in miscellaneous income (\$318K) partially because of insurance proceeds on a surrendered life insurance policy. 2) Had an increase in FMV of investments of \$55K in 2023 compared to prior year decrease of \$86K (temporary). 3) No charge off of abandoned projects in 2023 like there were in 2022 had an increase in interest income in 2023 of (\$200K) and a decrease in interest expense (\$25K)

The Authority recognized Capital Contributions in 2023 of \$63,000.

The net effect of all of this is, for the year 2023, the Authority experienced a decrease in net position (equity) of (\$979,000), while in 2022, the decrease was approximately (\$1.354 million). That is a positive swing of \$375,000. Note that depreciation was \$2.81 million for the year which helps create the loss and is a "non-cash" expense.

Those results are on Generally Accepted Accounting Principles basis as shown on Exhibit B on page 15. On a budgetary basis on schedule 2, pages 49 and 50, the Authority revenues exceeded its expenditures by approximately \$227,000. The Authority budgeted a loss of \$50,000 so the results were \$277,000 better than budgeted. Revenues were \$870,000 more than budgeted and expenditures were \$593,000 more than budgeted.

The Authority did meet the rate covenant contained in the Authority's Bond Resolution as detailed in Note 2 to the financial statements on page 26. The required percentage of debt service coverage in the rate covenant is 110% and the Authority achieved 342.10%. Note that without the use of General Funds that were passed through the Revenue fund in the calculation, which is allowable under the covenant language, the Authority still would

have met the covenant for 2023 with 127.04%. The difference in the coverage percentage emphasizes the importance of maintaining a healthy General Fund cash balance.

In Note 6, page 44, we show the breakdown of the unrestricted/undesignated net position (deficit) which is a \$7.825 million deficit related to pensions, \$2.490 million positive net position before the pension impact. Those net to the \$5.335 million deficit.

The Authority, Commissioners, Management and its staff are again to be commended for a job well done.

I would also point out that we have provided the Commissioners with a correspondence which is in addition to the audit report. This is known as the “Communication to those Charged with Governance” which, in LSA’s case, we consider to be the full board.

This correspondence explains the auditor’s responsibilities, describes certain accounting practices, management’s responsibilities, certain aspects of interaction with management and certain other matters. There were no items to be reported in the “other matters” section of the correspondence.

You have before you this evening a resolution acknowledging that the audit report for the year 2023 has been received and that you have reviewed the report, particularly the findings and recommendations section of which there were none. This resolution should be adopted and evidenced by having each of the Commissioners sign the group affidavit form. A synopsis, which is to be published in the newspaper, has been prepared and provided to the Authority. A copy of each of these is to be filed with the NJ Division of Local Government Services. Since there were no findings/recommendations, the Authority is not required to file a corrective action plan with the State.

Lastly, the Authority is required to post the audit report on its website. We have provided the Authority with an electronic copy and once receipt/review is acknowledged by the Board, it should be posted to the website.

The Chairman asked if there were any general public comments or comments on the proposed Resolutions. There were none.

Resolutions:

It was moved by Barse and seconded by Headley that Resolution No.2024 – 120 “Be it resolved by the Landis Sewerage Authority, that the following bills of items or demands are hereby approved and authorized for payment out of the Revenue Fund Revolving Payroll Account.... \$100,943.29”, be adopted. Roll call: Barse, Headley, Angelo and Reuben voted “yes”.

It was moved by Barse and seconded by Headley that Resolution No. 2024 – 121 “Be it resolved by the Landis Sewerage Authority, that the following bills of items or demands

are hereby approved and authorized for payment out of the Revenue Fund Bills.... \$666,545.10”, be adopted. Roll call: Barse, Headley, Angelo and Reuben voted “yes”.

It was moved by Barse and seconded by Headley that Resolution No. 2024 – 122, “A Resolution of the Landis Sewerage Authority authorizing the award of an alternate method contract with New Jersey Manufacturer’s Insurance to supply Worker’s Compensation Insurance...” be adopted. Roll call: Barse, Headley, Angelo and Reuben voted “yes”.

It was moved by Barse and seconded by Headley that Resolution No. 2024 – 123, “A Resolution of the Landis Sewerage Authority adopting Budget Resolution 2025 of the Landis Sewerage Authority for the fiscal year period January 1, 2025 through December 31, 2025...” be adopted. Roll call: Barse, Headley, Angelo and Reuben voted “yes”.

It was moved by Barse and seconded by Headley that Resolution No. 2024 – 124, “A Resolution of the Landis Sewerage Authority certifying that the Commissioners of the Landis Sewerage Authority have reviewed the 2023 Audit Report...” be adopted. Roll call: Barse, Headley, Angelo and Reuben voted “yes”.

It was moved by Barse and seconded by Headley that Resolution No. 2024 – 125, “A Resolution of the Landis Sewerage Authority authorizing corrections on credits, charge-offs, refunds and cancellation of accounts in the amount of \$860.37...” be adopted. Roll call: Barse, Headley, Angelo and Reuben voted “yes”.

It was moved by Barse and seconded by Headley that Resolution No. 2024 – 126, “A Resolution of the Landis Sewerage Authority authorizing a one-year contract with LookFirst Technology, LLC to provide operating systems service and computer hardware maintenance contracts...” be adopted. Roll call: Barse, Headley, Angelo and Reuben voted “yes”.

Reports:

Executive Director

Anthony Tobolski reported that LSA and Mott MacDonald staff will be meeting in the morning and touring a package treatment plant in Pitman that is similar to the plant we will be operating in Downe Township. We are trying to work out some issues that need to be addressed prior to the plant actually being built.

Authority Engineer:

Tyler Seifrit reported that LSA attended the required pre-planning meeting with NJDEP and Suburban for both the Little Robin and Interceptor projects. The DEP has a few comments with the largest request requiring TWA approval for Little Robin. We are currently trying to fight that request and prove all improvements are “in kind”

replacement/rehabilitations. This could potentially add 3 months to the bid process. Regardless, we did receive verbal confirmation that there is plenty of money within the fund for principal forgiveness loans for project awards into May 2025.

Solicitor: No Report

Chairman: No Report

Issues and Correspondence: None

Committee Reports:

Engineering/Plant:

Anthony stated that the parts to rebuild the Parvins Branch headworks barscreen finally arrived today and our pump and motor crew will be working on rebuilding it tomorrow.

Budget/Finance:

Alan Angelo reported that income is \$389,127 or 3.5% over budget and expenses are \$63,564 or .6% under budget. Accounts receivables increased \$1,058,908.

Human Resources: No Report

Public Relations: No Report

Insurance Committee:

Carol Ricci stated that everyone received her memo on NJM, and it was disappointing that our experience mod rose significantly because of two claims totaling around \$90,000. We will receive a 15% discount but that will not be realized until next year and our discount from last year will apply to this year's premium increase. Also, payrolls remained constant and there is no word from NJM that the state of NJ has raised their rates for our category which leaves me to assume there was no change.

Allocations/Administration:

Anthony reported that we received connection fees for several housing developments within the last two weeks.

Old Business: None

New Business: None

Adjournment:

At 6:26 p.m. there being no further business to come before the Board, it was moved by Barse and seconded by Headley that the meeting be adjourned. Roll call: Barse, Headley, Angelo and Reuben voted "yes".

THE LANDIS SEWERAGE AUTHORITY

RYAN R. HEADLEY, Secretary