

MUSCONETCONG SEWERAGE AUTHORITY
REPORT OF AUDIT
FOR THE YEARS ENDED
DECEMBER 31, 2023 AND 2022

MUSCONETCONG SEWERAGE AUTHORITY

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
Musconetcong Sewerage Authority
Budd Lake, New Jersey 07828

Report on the Financial Statements

Opinion

We have audited the accompanying statement of net position of the Musconetcong Sewerage Authority, as of December 31, 2023 and 2022 and the related statements of revenues, expenses and changes in net position and cash flows for the year then ended, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Musconetcong Sewerage Authority as of December 31, 2023 and 2022, and the respective changes in financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit 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 (Government Auditing Standards), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Musconetcong Sewerage Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our 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; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, 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 Musconetcong Sewerage Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibility for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 Musconetcong Sewerage 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 Musconetcong Sewerage 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, schedule of the Authority's proportionate share of the net pension liability, and schedule of Authority contributions 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 the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The supplementary information listed in the table of contents and the schedule of expenditures of federal and state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information listed in the table of contents and the schedule of expenditures of federal and state awards is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



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

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated August 15, 2024 on our consideration of the Musconetcong Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Musconetcong Sewerage Authority's internal control over financial reporting and compliance.

Very truly yours,



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

August 15, 2024



Required Supplementary Information - Part I

Management Discussion and Analysis

MUSCONETCONG SEWERAGE AUTHORITY MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Musconetcong Sewerage Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal year ended December 31, 2023 and 2022. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets and deferred outflows exceeded its liabilities and deferred inflows of resources by \$19,173,552 (net position) for the fiscal year reported. This compares to the previous year when assets and deferred outflows exceeded liabilities and deferred inflows of resources by \$20,076,962.

- Total net position is comprised of the following:
 - (1) Net investment in capital assets of \$18,687,483 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt and unexpended funds related to the purchase or construction of capital assets.
 - (2) Restricted of \$15,862 are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted of \$470,207 represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.

- Total liabilities of the Authority increased by \$1,005,529 to \$9,832,644 during the fiscal year.

Overview of the Financial Statements

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

Required Financial Statements

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

**MUSCONETCONG SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis of the Authority

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

**MUSCONETCONG SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position

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

The Authority's net position at fiscal year-end is \$19,173,552. This is a \$903,410 decrease under last year's net position of \$20,076,962. A summary of the Authority's statement of net position is presented in the following table:

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

	<u>FY 2023</u>	<u>FY 2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	3,623,235	3,238,353	384,882	11.89%
Capital Assets	<u>25,442,559</u>	<u>25,718,508</u>	<u>(275,949)</u>	(1.07)%
Total Assets	<u>29,065,794</u>	<u>28,956,861</u>	<u>108,933</u>	0.38%
Deferred Outflows of Resources	<u>251,527</u>	<u>392,443</u>	<u>(140,916)</u>	(35.91)%
Long-term Liabilities	1,902,580	2,202,216	(299,636)	(13.61)%
Current Liabilities	7,930,064	<u>6,624,899</u>	<u>1,305,165</u>	19.70%
Total Liabilities	<u>9,832,644</u>	<u>8,827,115</u>	<u>1,005,529</u>	11.39%
Deferred Inflows of Resources	<u>311,125</u>	<u>445,227</u>	<u>(134,102)</u>	(30.12)%
Net Investment in Capital Assets	18,687,483	19,134,846	(447,363)	(2.34)%
Restricted	15,862	15,226	636	4.18%
Unrestricted	<u>470,207</u>	<u>926,890</u>	<u>(456,683)</u>	(49.27)%
Total Net Position	<u>19,173,552</u>	<u>20,076,962</u>	<u>(903,410)</u>	(4.50)%

**MUSCONETCONG SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

A summary of the Authority's prior year statement of net position is presented with comparative figures in the following table:

**Condensed Statement of Net Position at December 31, 2022
With Comparative Prior Year Balances**

	<u>FY 2022</u>	<u>FY 2021</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current Assets	3,238,353	4,141,050	(902,697)	(21.80)%
Capital Assets	<u>25,718,508</u>	<u>26,288,090</u>	<u>(569,582)</u>	(2.17)%
Total Assets	<u>28,956,861</u>	<u>30,429,140</u>	<u>(1,472,279)</u>	(4.84)%
Deferred Outflows of Resources	<u>392,443</u>	<u>298,953</u>	<u>93,490</u>	31.27%
Long-term Liabilities	2,202,216	1,913,878	288,338	15.07%
Current Liabilities	<u>6,624,899</u>	<u>7,262,999</u>	<u>(638,100)</u>	(8.79)%
Total Liabilities	<u>8,827,115</u>	<u>9,176,877</u>	<u>(349,762)</u>	(3.81)%
Deferred Inflows of Resources	<u>445,227</u>	<u>973,350</u>	<u>(528,123)</u>	(54.26)%
Net Investment in Capital Assets	19,134,846	19,863,526	(728,680)	(3.67)%
Restricted	15,226	19,934	(4,708)	(23.62)%
Unrestricted	<u>926,890</u>	<u>694,406</u>	<u>232,484</u>	33.48%
Total Net Position	<u>20,076,962</u>	<u>20,577,866</u>	<u>(500,904)</u>	(2.43)%

**MUSCONETCONG SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

**Condensed Statement of Revenues, Expenses
And Changes in Net Position for the Year Ending
December 31, 2023 with Comparative Prior Year Balances**

	<u>FY 2023</u>	<u>FY 2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	4,522,514	4,564,426	(41,912)	-0.92%
Non-operating Revenues	<u>10,583</u>	<u>10,357</u>	<u>226</u>	2.18%
Total Revenues	<u>4,533,097</u>	<u>4,574,783</u>	<u>(41,686)</u>	(0.91)%
Depreciation	1,848,755	1,611,651	237,104	14.71%
Other Operating Expenses	3,396,848	3,374,261	22,587	0.67%
Other Non-operating Expense	<u>190,904</u>	<u>89,775</u>	<u>101,129</u>	112.65%
Total Expenses	<u>5,436,507</u>	<u>5,075,687</u>	<u>360,820</u>	7.11%
Change in Net Position	(903,410)	(500,904)	(402,506)	80.36%
Beginning Net Position	<u>20,076,962</u>	<u>20,577,866</u>	<u>(500,904)</u>	(2.43)%
Ending Net Position	<u>19,173,552</u>	<u>20,076,962</u>	<u>(903,410)</u>	(4.50)%

**MUSCONETCONG SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Net Position (Continued)

A summary of the Authority's prior year statement of revenues, expenses and changes in net position is presented with comparative fiscal year figures in the following table:

**Condensed Statement of Revenues, Expenses
And Changes in Net Position for the Year Ending
December 31, 2021 with Comparative Prior Year Balances**

	<u>FY 2022</u>	<u>FY 2021</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenues	4,564,426	4,512,952	51,474	1.14%
Non-operating Revenues	<u>10,357</u>	<u>8,811</u>	<u>1,546</u>	17.55%
Total Revenues	<u>4,574,783</u>	<u>4,521,763</u>	<u>53,020</u>	1.17%
Depreciation	1,611,651	1,611,652	(1)	0.00%
Other Operating Expenses	3,374,261	2,852,983	521,278	18.27%
Other Non-operating Expense	<u>89,775</u>	<u>258,372</u>	<u>(168,597)</u>	(65.25)%
Total Expenses	<u>5,075,687</u>	<u>4,723,007</u>	<u>352,680</u>	7.47%
Change in Net Position	(500,904)	(201,244)	(299,660)	148.90%
Beginning Net Position	<u>20,577,866</u>	<u>20,779,110</u>	<u>(201,244)</u>	(0.97)%
Ending Net Position	<u>20,076,962</u>	<u>20,577,866</u>	<u>(500,904)</u>	(2.43)%

Budgetary Highlights

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

**MUSCONETCONG SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

Budgetary Highlights (Continued)

The following tables provide a budget comparison for FY 2023 and FY 2022:

**Budget vs. Actual
FY 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Net Position Appropriated	119,889	119,889	0
Operating	4,480,000	4,522,514	42,514
Non-Operating	<u>-0-</u>	<u>10,583</u>	<u>10,583</u>
Total Revenues	<u>4,599,889</u>	<u>4,652,986</u>	<u>53,097</u>
Expenses:			
Operating	3,893,370	3,612,406	280,964
Non-Operating	<u>706,519</u>	<u>550,509</u>	<u>156,010</u>
Total Expenses	<u>4,599,889</u>	<u>4,162,915</u>	<u>436,974</u>
Income before Depreciation	<u>0</u>	<u>490,071</u>	<u>490,071</u>

**Budget vs. Actual
FY 2022**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Net Position Appropriated	109,821	109,821	0
Operating	4,537,000	4,564,426	27,426
Non-Operating	<u> </u>	<u>6,957</u>	<u>6,957</u>
Total Revenues	<u>4,646,821</u>	<u>4,681,204</u>	<u>34,383</u>
Expenses:			
Operating	3,522,098	3,395,220	126,878
Non-Operating	<u>1,124,723</u>	<u>1,112,910</u>	<u>11,813</u>
Total Expenses	<u>4,646,821</u>	<u>4,508,130</u>	<u>138,691</u>
Income before Depreciation	<u>0</u>	<u>173,074</u>	<u>173,074</u>

**MUSCONETCONG SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

During fiscal year 2022, the Authority had an increase of \$1,572,806 in capital assets (before depreciation). The Authority's net property, plant and equipment at fiscal year end was \$25,442,559. This is a \$275,949 decrease under last year's net property, plant and equipment of \$25,718,508. A summary of the Authority's capital assets is presented in the following table:

CAPITAL ASSETS

	<u>FY</u> <u>2023</u>	<u>FY</u> <u>2022</u>	<u>Dollar</u> <u>Change</u>
Land	505,700	505,700	0
Buildings and Interceptors	67,573,474	67,073,007	500,467
Machinery and Equipment	201,060	201,060	0
Less: Accumulated Depreciation	(44,793,106)	(42,944,351)	(1,848,755)
Construction in Progress	<u>1,955,431</u>	<u>883,092</u>	<u>1,072,339</u>
	<u>25,442,559</u>	<u>25,718,508</u>	<u>(275,949)</u>

**MUSCONETCONG SEWERAGE AUTHORITY
MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)**

CAPITAL ASSETS AND DEBT ADMINISTRATION (Continued)

The Authority's on going capital plan is reviewed each year by the Authority's consulting engineer. Notable future capital improvements are listed below.

Sewer

V.F.D. Replacement Project	\$75,000
Aerator Replacement	3,000,000
Clarifier Rehabilitation	1,000,000
Pump Station(s) Renewals	300,000
Demolition Old Service Building	325,000
New Trucks (2)	60,000
CCTV Inspection and Cleaning Collection System	250,000
HVAC System and Boiler	<u>120,000</u>
Total	<u>\$5,130,000</u>

Debt Administration

At December 31, 2023, the Authority had outstanding New Jersey Environmental Infrastructure Fund bonds of \$697,203 (gross). The debt service schedule has a final maturity in 2030. Full details of the specific bond issues outstanding are found in Note 5 to the financial statements and the supplementary schedules. The Authority also had \$7,126,335 in temporary financing through the New Jersey Infrastructure Bank ("NJIB") at December 31, 2023.

Economic Factors, Future Years' Budgets and Rates

The Commissioners and management of the Authority consider many factors when preparing each year's budget and annual charges. Two of the main factors are growth in the Authority's system and new regulations issued by the State and Federal governments. Recently, however, national delays in supply chains and inflationary factors have begun to affect the Authority's cost of providing services. The Authority is therefore anticipating an increase in the cost of providing services in the next fiscal year due to recent increases in energy, fuel, material and chemical costs.

Contacting the Authority

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Executive Director of the Musconetcong Sewerage Authority, 110 Continental Drive, Budd Lake, NJ 07828.

Financial Statements

**MUSCONETCONG SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31,**

EXHIBIT A
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	2023	2022
<u>ASSETS</u>		
Current Assets:		
<u>Unrestricted:</u>		
Cash and Cash equivalents	\$ 2,023,502	\$ 2,913,348
Petty Cash	100	100
Accounts Receivable	268,613	126,734
Prepaid Expenses	180	180
Total Unrestricted Assets	2,292,395	3,040,362
<u>Restricted:</u>		
Bond Service Fund:		
Cash and Cash equivalents	22,960	23,178
Escrow Fund:		
Cash and Cash equivalents	10,539	10,134
New Jersey Infrastructure Bank:		
NJIB Receivable	1,297,341	164,679
Total Restricted Assets	1,330,840	197,991
Non-Current Assets:		
<u>Capital Assets:</u>		
Land	505,700	505,700
Infrastructure, Buildings and Equipment	67,573,474	67,073,007
Vehicles	201,060	201,060
Less: Accumulated Depreciation	(44,793,106)	(42,944,351)
Construction in Progress	1,955,431	883,092
Total Capital Assets	25,442,559	25,718,508
TOTAL ASSETS	\$ 29,065,794	\$ 28,956,861

DEFERRED OUTFLOWS OF RESOURCES

Deferred Outflows:		
Deferred Outflows Related to Pensions	251,527	392,443
TOTAL DEFERRED OUTFLOWS OF RESOURCES	\$ 251,527	\$ 392,443

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**MUSCONETCONG SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31,**

EXHIBIT A
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	2023	2022
<u>LIABILITIES</u>		
Current Liabilities:		
<u>Payable from Unrestricted Assets:</u>		
Accounts Payable and Accrued Liabilities	\$ 147,755	\$ 154,394
Accounts Payable - Pension Related	110,000	121,857
Due to Municipalities	199,463	279,244
Total Payable from Unrestricted Assets	457,218	555,495
<u>Payable from Restricted Assets:</u>		
Accounts Payable - Construction	229,059	14,909
Accrued Interest Payable	7,098	7,952
Escrow Deposits Payable	10,539	10,134
Notes Payable	7,126,335	5,940,594
Loans Payable - Current Portion	99,815	95,815
Total Payabled from Restricted Assets	7,472,846	6,069,404
Non-Current Liabilities:		
Compensated Absenses Payable	56,902	46,208
Net Pension Liability	1,248,470	1,458,985
Loans Payable - Long-Term Portion	597,208	697,023
Total Non-Current Liabilities	1,902,580	2,202,216
TOTAL LIABILITIES	9,832,644	8,827,115
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Deferred Inflows:		
Deferred Inflows Related to Pensions	311,125	445,227
TOTAL DEFERRED INFLOWS OF RESOURCES	311,125	445,227

The accompanying "Notes to the Financial Statements" are an integral part of this report.

**MUSCONETCONG SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31,**

EXHIBIT A
Page 3 of 3

	2023	2022
<u>NET POSITION:</u>		
Net Investment in Capital Assets	18,687,483	19,134,846
Restricted:		
Current Debt Service	15,862	15,226
Unrestricted:		
Designated	1,246,463	1,918,068
Undesignated	(776,256)	(991,178)
TOTAL NET POSITION	\$ 19,173,552	\$ 20,076,962

The accompanying "Notes to the Financial Statements" are an integral part of this report.

MUSCONETCONG SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
DECEMBER 31,

EXHIBIT B

	2023	2022
Operating Revenue:		
Service Agreements	\$ 4,480,000	\$ 4,537,000
Miscellaneous	42,514	27,426
Total Operating Revenue	4,522,514	4,564,426
Operating Expenses:		
Administrative and General	281,263	290,054
Cost of Providing Services	3,115,585	3,084,207
Depreciation Expense	1,848,755	1,611,651
Total Operating Expenses	5,245,603	4,985,912
Operating Income	(723,089)	(421,486)
Non-Operating Revenue (Expenses):		
Interest on Investments	10,583	6,957
Interest Expense	(54,694)	(26,522)
Excess Due to Municipalities	(136,210)	(63,253)
Amortization	-	3,400
Non-Operating Income (Loss)	(180,321)	(79,418)
Change In Net Position	(903,410)	(500,904)
Net Position - January 1	20,076,962	20,577,866
Net Position - December 31	\$ 19,173,552	\$ 20,076,962

The accompanying "Notes to the Financial Statements" are an integral part of this report.

MUSCONETCONG SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	<u>2023</u>	<u>2022</u>
Cash Flows from Operating Activities:		
Cash Received from Customers	\$ 4,338,121	\$ 4,410,266
Cash Received from Miscellaneous Sources	42,514	27,426
Escrow Deposits Received (Paid)	405	2,072
Cash Paid to Municipalities	(279,244)	(215,992)
Cash Paid to Vendors and Employees	<u>(3,545,098)</u>	<u>(3,395,765)</u>
Net Cash Provided by Operating Activities	<u>556,698</u>	<u>828,007</u>
Cash Flow from Investing Activities:		
Interest Received	<u>10,583</u>	<u>6,957</u>
Net Cash Provided by (used in) Investing Activities	<u>10,583</u>	<u>6,957</u>
Cash Flow from Financing Activities:		
Principal Payment on Bonds and Notes	(95,815)	(686,388)
Interest Paid on Bonds and Notes	(55,548)	(34,385)
NJEIT Received	53,079	950,389
Capital Expenditures	<u>(1,358,656)</u>	<u>(1,143,572)</u>
Net Cash Used in Financing Activities	<u>(1,456,940)</u>	<u>(913,956)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(889,659)	(78,992)
Cash and Cash Equivalents at Beginning of Year	<u>2,946,660</u>	<u>3,025,652</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,057,001</u>	<u>\$ 2,946,660</u>
Analysis of Balance:		
Unrestricted	\$ 2,023,502	\$ 2,913,348
Restricted	<u>33,499</u>	<u>33,312</u>
	<u>\$ 2,057,001</u>	<u>\$ 2,946,660</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

MUSCONETCONG SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2023	2022
OPERATING INCOME (LOSS)	\$ <u>(723,089)</u>	\$ <u>(421,486)</u>
Adjustments to Reconcile Change in Net Assets to Net Cash Provided by Operating Activities:		
Depreciation Expense	1,848,755	1,611,651
Escrow Deposits Received (Paid)	405	2,072
Cash Paid to Municipalities	(279,244)	(215,992)
Decrease (Increase) in Accounts Receivable	(141,879)	(126,734)
Increase (Decrease) in Accounts Payable	(18,496)	(3,435)
Increase (Decrease) in Compensated Absences Payable	10,694	2,890
Increase (Decrease) in Pension Adjustment	<u>(140,448)</u>	<u>(20,959)</u>
Total Adjustments	<u>1,279,787</u>	<u>1,249,493</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	<u>\$ 556,698</u>	<u>\$ 828,007</u>

The accompanying "Notes to the Financial Statements" are an integral part of this report.

Notes to Financial Statements

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1. GENERAL

The Musconetcong Sewerage Authority was created under the Sewerage Authorities Law of the State of New Jersey (Chapter 138, Laws of 1946 as amended and supplemented) to service the Borough of Stanhope in the County of Sussex and the Borough of Netcong in the County of Morris. Parallel ordinances were adopted by the respective governing bodies as follows: By the Borough of Stanhope on September 27, 1965, and by the Borough of Netcong on August 3, 1965.

By agreement between the Authority and the Boroughs of Stanhope and Netcong dated 1967, the Authority constructed a trunk sewer system and a 500,000 G.P.D. sewerage disposal plant. Said construction was financed by a bond issue of \$591,000 dated January 1, 1971 (Series "A" Bonds) and by State and Federal Grants.

The aforementioned agreement also permits the signing of agreements to service additional municipalities as Customers of the Authority. The Authority has entered into an agreement with the Township of Mount Olive and has passed a resolution to treat sewerage from the Township of Roxbury.

A 500,000 G.P.D. addition was placed in service on July 5, 1976. To finance the cost of said improvement the Authority sold bonds in the amount of \$400,000 dated July 1, 1976 (Series "B" Bonds).

The governing body of the Authority consists of twelve members. Three members are appointed by each of the governing bodies of the Boroughs of Netcong and Stanhope, two members are appointed by each of the governing bodies of the Township of Mount Olive and Roxbury and one member is appointed by the governing bodies of the Boroughs of Mount Arlington and Hopatcong.

The Authority has constructed a 2.2 million gallon per day water pollution control plant and made improvements to existing pumping station and force mains. The Authority also constructed a new regional interceptor, pumping stations and force mains. The total cost for the Project was estimated at \$33 Million.

The Project allowed for new sewer unit connections in the Boroughs of Stanhope and Netcong. Service has been expanded to provide more gallonage to areas located in the Township of Mount Olive and the International Trade Zone. Additionally, sewer service is now available to the entire Landing-Shore Hills and Port Morris sections of Roxbury Township.

The Authority was awarded a grant from the United States Department of Environmental Protection to the extent of 55% of eligible costs of the Project. The remainder of the Project costs were raised by the issuance of revenue bonds in the amount of \$17,450,000 and by contributions from the International Trade Center, located within the Service Area of the Authority.

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1. GENERAL, (continued)

In 1993 the Authority initiated design and funding of the Phase IA project to expand the Authority's existing wastewater treatment plant to provide 3.63 MGD treatment capacity within the existing plant site. The additional treatment capacity (1.43 MGD) was constructed to provide sewer service to the densely developed areas around Budd Lake within the Township of Mount Olive and within the Borough of Mount Arlington adjacent to Lake Hopatcong. The treatment plant expansion also includes capacity for future development within the portions of the Township of Roxbury and the New Jersey Foreign Trade Zone. The selected treatment process for the treatment plant expansion is conventional activated sludge with mechanical aeration, the same as the existing treatment process. The treatment process design includes provisions for nitrification, phosphorus removal, microstraining facilities and ultraviolet disinfection. Treated effluent will continue to be discharged to the Musconetcong River through the existing post aeration cascade unit and outfall sewer. In 2002, the Authority was successful in having the plant rereated adding an additional .18 MGD to the overall treatment capacity. The Authority also extended its service area to the Route 206 corridor of Byram Township.

Sewage sludge generated by the expanded wastewater treatment plant will be treated in the existing sludge thickening and handling facility at the plant site. The existing sludge thickening and handling facility has sufficient capacity to accommodate all sludge that will be generated by the 4.31 MGD treatment plant.

Funding for the Phase IA project was financed by the issuance of Sewer Revenue Bonds, Series C, in the amount of \$3,545,000 for the local ineligible share and by New Jersey Wastewater Treatment Trust Financing Program loans from the Trust (\$7,955,000) and from the Fund (\$6,260,617) for the allowable costs of the new project.

In November of 1995, \$2,280,000 of Series C, Revenue Bonds were defeased since the Authority became eligible for additional New Jersey Wastewater Treatment Trust Financing, \$1,190,000 from the Trust and \$1,045,037 from the fund.

On December 15, 2002, \$12,855,000 of Series B, Refunding Bonds were defeased with the issuance of \$12,250,000 of Project I- Series 2002, Refunding Bonds.

In 2002, Authority initiated design and funding for the Phase IIA project to add an additional 500,000 gallon per day expansion to its wastewater treatment plant for the benefit of the Borough of Hopatcong. The Authority financed the cost of the project with grants from the United States Environmental Infrastructure Trust Program. The addition was certified for operation effective July 1, 2005.

As a Public body under existing statute, the Authority is exempt from both Federal and State Taxes.

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 1. GENERAL, (continued)

Component Unit

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, *The Financial Reporting Entity*, as amended by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units*, and GASB Statement No. 61, *The Financial Reporting Entity: Omnibus - an amendment of GASB Statements No. 14 and No. 34*. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit would be or is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units.

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following is a summary of the more significant accounting policies:

A. Basis of Presentation

The financial statements of the Musconetcong Sewerage Authority have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governmental units. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

A. Basis of Presentation, (continued)

intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, accountability or other purposes. The Governmental Accounting Standards Board GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant of the Authority's accounting policies are described below.

On January 1, 2012, the Authority adopted the provisions of Governmental Accounting Standards Board Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, which amends the net asset reporting requirement of Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, and other pronouncements by incorporating deferred outflows from resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The classifications of net position are defined as follows:

- *Net investment in capital assets* - This component of net position consists of capital assets, including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. If there are any significant unspent related debt proceeds at year-end, the portion of the debt attributable to the unspent proceeds are not included in the calculation of invested in capital assets, net of related debt. Rather that portion of the debt is included in the same net position component as the unspent proceeds.
- *Restricted* - This component of net position consists of constraints placed on net position used through external constraints imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments or constraints imposed by law through constitutional provisions or enabling legislation.
- *Unrestricted* - This component of net position consists of net position that do not meet the definition of "restricted" or "net investment in capital assets."

B. Basis of Accounting

The Musconetcong Sewerage Authority prepares its financial statements on the accrual basis of accounting in accordance with generally accepted accounting principles. Under the accrual basis of accounting, revenues are recognized when they are earned and expenses are recognized when the liability is incurred.

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

C. Reporting Entity

The Authority's financial statements include the accounts of all Authority operations. The primary criterion for including activities within the Authority's reporting entity, is set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards. Based on this criteria, the Authority is a legally separate organization and has no component units.

D. Risks of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage, and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with the policies and an event, which may exceed policy coverage limits.

E. Grants

Contributions received from the U.S. Environmental Protection Agency and N.J. Department of Environmental Protection are recorded in the period in which they are awarded.

Grants receivable, if any, represent the total grant awards less amounts collected to date. Grants, if any, not internally restricted and utilized to finance operations are identified as non-operating revenue. Grants externally restricted for non-operating purposes are recorded as contributed capital and identified as grants-in-aid.

F. Inventories of Materials and Supplies

The cost of inventories, primarily chemicals for the treatment of sewerage and sludge, are recorded as expenditures at the time individual items are purchased, since they are not material to the results of operations and financial position.

G. Property, Plant and Equipment

Property, Plant and Equipment is stated at cost which includes direct construction costs and other expenditures related to construction. Land is stated at approximate fair market value as of the date it was donated to the Authority or at the purchase price if purchased by the Authority.

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

G. Property, Plant and Equipment

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

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

Building and Improvements	20-50 Years
Sewer Mains and Interceptors	50 Years
Machinery and Equipment	10-20 Years
Furniture and Fixtures	5 Years
Vehicles	3-10 Years

Depreciation on assets acquired with grants-in-aid and contributed capital assets is recorded as a reduction of contributed capital.

A summary of the changes in property, plant and equipment at December 31, 2023 and 2022 are as follows:

	<u>Balance</u> <u>12/31/22</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/23</u>
Land	\$505,700	\$	\$	\$505,700
Infrastructure, Buildings & Equipment	67,073,007	500,467		67,573,474
Vehicles	201,060			201,060
Construction in Progress	<u>883,092</u>	<u>1,072,339</u>		<u>1,955,431</u>
	68,662,859	1,572,806	0	70,235,665
Less: Accumulated Depreciation	<u>(42,944,351)</u>	<u>(1,848,755)</u>		<u>(44,793,106)</u>
Total Capital Assets	<u>\$25,718,508</u>	<u>(\$275,949)</u>	<u>\$0</u>	<u>\$25,442,559</u>
	<u>Balance</u> <u>12/31/21</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>12/31/22</u>
Land	\$505,700	\$	\$	\$505,700
Infrastructure, Buildings & Equipment	61,302,954	5,770,053		67,073,007
Vehicles	201,060			201,060
Construction in Progress	<u>5,611,076</u>	<u>1,042,069</u>	<u>5,770,053</u>	<u>883,092</u>
	67,620,790	6,812,122	5,770,053	68,662,859
Less: Accumulated Depreciation	<u>(41,332,700)</u>	<u>(1,611,651)</u>		<u>(42,944,351)</u>
Total Capital Assets	<u>\$26,288,090</u>	<u>\$5,200,471</u>	<u>\$5,770,053</u>	<u>\$25,718,508</u>

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

H. Restricted Accounts

Bond Service Fund

This fund was established to provide funds for the current debt service reserve requirement.

Escrow Fund

This account was established for developer escrow deposits and related disbursements.

The Authority has established the following designated unrestricted accounts:

Future Retirement Reserve

This fund was established to plan for the upcoming retirements of contracted personnel. Payments to employees who retire with unused sick and/or vacation time up to a maximum of \$15,000.

Capital Improvement Reserve

This account was established to fund future plant upgrades and other capital improvements.

Renewal and Replacement Reserve

This account was established to fund major repairs, renewals or maintenance items of a type not recurring annually.

Operations Reserve

The fund was established to provide a reserve for future operations.

I. Unamortized Gain on Refunded Debt

Gains on refunded debt are being amortized over the remaining life of the issues.

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

J. Operating Fund Budget

The budget amounts included in the statement of budget revenues and statement of budget expenditures were approved in accordance with the requirements of the “Local Finance Board” of the State of New Jersey, and were adopted by the Commissioners after legal advertisement and public hearing.

K. 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 certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of net position, and reported amounts of revenues and expenses during the reporting period. These estimates and assumptions include depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Estimates and assumptions are reviewed periodically and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results may differ from those estimates.

L. Risk of Loss

The Authority purchases commercial insurance policies on an annual basis to handle risks of loss associated with property, auto, liability, workers compensation, flood damage and employee crime coverage. Any potential liability of the Authority with respect to loss claims would be equal to the deductibles associated with policies and an event, which may exceed policy coverage limits.

M. Sick and Vacation Leave

The Authority’s policies regarding sick time permit employees to accumulate earned but unused sick leave with total payment not to exceed fifteen thousand dollars. The proprietary fund reports the liability as it is incurred.

N. Net Position

Net position represent the difference between assets and deferred outflows of resources and liabilities and deferred inflows of resources. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement of those assets. Net position are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

O. Recent Accounting Pronouncements

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

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

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

In April 2024, the Government Accounting Standards Board issued GASB Statement No. 103, Financial Reporting Model Improvements. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. The requirements of this Statement are effective for fiscal years beginning after June 15, 2025, and all reporting periods thereafter, though, earlier application is encouraged. The Authority is currently reviewing the provisions of this Statement and plans to implement, as needed, before the effective date.

**MUSCONETCONG SEWERAGE AUTHORITY
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

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

P. Revenues and Expenses

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the Authority are charges to customers for services. Operating expenses include the cost of operations and services, administrative expenses and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenues and expenses. State and federal grants for the operation of the Authority are considered operating revenues. Transactions or other events that are both unusual in nature and infrequent in occurrence are reported as extraordinary items.

NOTE 3. CASH AND CASH EQUIVALENTS

Cash and cash equivalents include cash in banks and all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act. Public depositories include Savings and Loan institutions, banks (both state and national banks) and savings banks the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

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

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

As of December 31, 2023 and 2022, the Authority's cash and cash equivalents are summarized as follows:

	<u>2023</u>	<u>2022</u>
Unrestricted	\$2,023,502	\$2,913,348
Restricted	<u>33,499</u>	<u>33,312</u>
	<u>\$2,057,001</u>	<u>\$2,946,660</u>

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 3. CASH AND CASH EQUIVALENTS, (continued)

The carrying amount of the Authority's cash and cash equivalents at December 31, 2023 was \$2,057,001 and the bank balance was \$2,166,181. This entire amount was covered by federal depository insurance and the collateral pool maintained by the banks as required by New Jersey Statutes.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposit may not be returned to it. The Authority's policy is based on New Jersey statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in a qualified investment established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of December 31, 2023, \$-0- of the Authority's bank balance of \$2,166,181 was exposed to custodial risk.

NOTE 4. ACCOUNTS RECEIVABLE

The Authority bills participant customers on a quarterly basis. Credits are issued during the year if the previous year's budgetary revenues exceed expenses, less any net position utilized for budget purposes. The Authority had the following accounts receivable at December 31, 2023 and 2022:

	<u>Balance</u> <u>Jan. 1, 2023</u>	<u>Annual</u> <u>Billings</u>	<u>Municipal</u> <u>Credits</u>	<u>Amounts</u> <u>Received</u>	<u>Balance</u> <u>Dec.31, 2023</u>
Township of Byram	\$ -	\$110,100	\$	\$110,100	\$ -
Borough of Hopatcong	-	603,858		452,893	150,965
Borough of Mount Arlington	-	343,574		343,574	-
Township of Mount Olive	-	1,596,059		1,596,059	-
Borough of Netcong	-	470,592		352,944	117,648
Township of Roxbury	-	798,550		798,550	-
Borough of Stanhope	<u>126,734</u>	<u>557,267</u>	<u> </u>	<u>684,001</u>	<u>0</u>
	<u>\$126,734</u>	<u>\$4,480,000</u>	<u>\$0</u>	<u>\$4,338,121</u>	<u>\$268,613</u>

	<u>Balance</u> <u>Jan. 1, 2022</u>	<u>Annual</u> <u>Billings</u>	<u>Municipal</u> <u>Credits</u>	<u>Amounts</u> <u>Received</u>	<u>Balance</u> <u>Dec.31, 2022</u>
Township of Byram	\$ -	\$100,156	\$	\$100,156	\$ -
Borough of Hopatcong	-	1,010,936		1,010,936	-
Borough of Mount Arlington	-	312,544		312,544	-
Township of Mount Olive	-	1,451,909		1,451,909	-
Borough of Netcong	-	428,090		428,090	-
Township of Roxbury	-	726,428		726,428	-
Borough of Stanhope	<u>-</u>	<u>506,937</u>	<u> </u>	<u>380,203</u>	<u>126,734</u>
	<u>\$0</u>	<u>\$4,537,000</u>	<u>\$0</u>	<u>\$4,410,266</u>	<u>\$126,734</u>

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 5. BONDS AND NOTES PAYABLE

The Authority has issued and outstanding the following bonds as of December 31, 2023 and 2022:

	<u>Balance</u> <u>Jan. 1, 2023</u>	<u>Retirements/ Repayments</u>	<u>Balance</u> <u>Dec. 31, 2023</u>	<u>Amounts Due Within One Year</u>
Series 2010 NJ Envir. Trust & Fund Bonds	<u>\$792,838</u>	<u>\$99,815</u>	<u>\$693,023</u>	<u>\$99,815</u>
	<u>\$792,838</u>	<u>\$99,815</u>	<u>\$693,023</u>	<u>\$99,815</u>
	<u>Balance</u> <u>Jan. 1, 2022</u>	<u>Retirements/ Repayments</u>	<u>Balance</u> <u>Dec. 31, 2022</u>	<u>Amounts Due Within One Year</u>
Series 2002 NJ Envir. Trust & Fund Bonds	\$448,316	\$448,316	\$0	\$
Series 2007 NJ Envir. Trust & Fund Bonds	142,257	142,257	0	
Series 2010 NJ Envir. Trust & Fund Bonds	<u>888,653</u>	<u>95,815</u>	<u>792,838</u>	<u>95,815</u>
	<u>\$1,479,226</u>	<u>\$686,388</u>	<u>\$792,838</u>	<u>\$95,815</u>

Presented below is a summary of debt service requirements to maturity for all permanently financed bonds:

<u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	99,815	17,035	116,850
2025	99,815	14,785	114,600
2026	104,815	12,535	117,350
2027	109,815	10,035	119,850
2028	109,815	7,560	117,375
2029-2030	<u>172,948</u>	<u>7,695</u>	<u>180,643</u>
	<u>\$697,023</u>	<u>\$69,645</u>	<u>\$766,668</u>

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 5. BONDS AND NOTES PAYABLE

Series 2010B NJ Environmental Infrastructure Trust Bonds

On December 2, 2010, the Authority issued \$2,281,703 Series 2010B Subordinate Bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds included \$186,838 in fund principal forgiveness.

Principal and interest due on outstanding 2010 bonds to maturity is as follows:

Year Ending	NJEIT SERIES 2010B				
	Trust Portion		Fund Portion		Total
	Principal	Interest	Principal	Debt Service	
2024	45,000	17,035	54,815	116,850	
2025	45,000	14,785	54,815	114,600	
2026	50,000	12,535	54,815	117,350	
2027	55,000	10,035	54,815	119,850	
2028	55,000	7,560	54,815	117,375	
2029	55,000	5,085	54,208	114,293	
2030	58,000	2,610	5,740	66,350	
	<u>\$363,000</u>	<u>\$69,645</u>	<u>\$334,023</u>	<u>\$766,668</u>	

Notes Payable - New Jersey Infrastructure Bank

On June 27, 2019, the Authority adopted a resolution authorizing the issuance of \$6,500,000 subordinate bonds for the influent/effluent facilities project (NJIB Project S340 384-09). On November 21, 2019, the New Jersey Infrastructure Bank granted temporary financing for this project in the amount of \$5,940,594. As of December 31, 2023, the Authority has drawn \$5,828,994 down on this temporary financing. In 2023, the Authority was authorized to issue bonds through the New Jersey Infrastructure Bank (NJIB Project S340 384-10). \$1,185,741 was spent towards this project, however reimbursements were not approved until January 2024.

NOTE 6. PENSION PLAN

Description of Plans:

Authority employees participate in one of the two contributory, defined benefit public employee retirement systems: the State of New Jersey Public Employees' Retirement System (PERS) or the Defined Contribution Retirement Program (DCRP), a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) 401(a).

**MUSCONETCONG SEWERAGE AUTHORITY
 NOTES TO FINANCIAL STATEMENTS, CONTINUED
 FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 6. PENSION PLAN, (continued)

Public Employees' Retirement System (PERS)

Plan Description

The State of New Jersey Public Employees' Retirement System (PERS) is a cost-sharing multiple-employer defined benefit pension plan administered by the State of New Jersey, Division of Pensions and Benefits (the "Division"). For additional information about the PERS, please refer to the Division's Annual financial reports, which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

Benefits Provided

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

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

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

Defined Contribution Retirement Program

Prudential Financial jointly administers the DCRP investments with the NJ Division of Pensions and Benefits. If an employee is ineligible to enroll in the PERS or PFRS, the employee may be eligible to enroll in the DCRP. DCRP provides eligible members with a tax-sheltered, defined contribution retirement benefit, along with life insurance and disability coverage. Vesting is immediate upon enrollment for members of the DCRP.

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 6. PENSION PLAN, (continued)

Defined Contribution Retirement Program, (continued)

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issues publicly available financial reports that include the financial statements and required supplementary information of the DCRP. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625-0295.

Employers are required to contribute at an actuarially determined rate. Employee contributions are based on percentages of 5.50% for DCRP of employees' annual compensation, as defined. The DCRP was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and expanded under the provisions of Chapter 89, P.L. 2008. Employee contributions for DCRP are matched by a 3% employer contribution.

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 7.5% for PERS. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS. In the PERS, the employer contribution includes funding for post-retirement medical premiums.

The Authority's contribution to the various plans, equal to the required contributions for each year, were as follows:

<u>Three Year Trend Information for PERS</u>		
<u>Year</u>	<u>Annual</u>	<u>Percentage</u>
<u>Funding</u>	<u>Pension</u>	<u>of APC</u>
	<u>Cost (APC)</u>	<u>Contributed</u>
12/31/23	\$114,061	100%
12/31/22	106,541	100%
12/31/21	96,343	100%

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68

Public Employees Retirement System (PERS)

At December 31, 2023 and 2022, the Authority reported a liability of \$1,248,470 and \$1,458,985 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 6. PENSION PLAN, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating governments, actuarially determined. At June 30, 2023, the Authority's proportion was 0.0086194276 percent, which was a decrease of 0.0010482455 percent from its proportion measured as of June 30, 2022.

For the year ended December 31, 2023, the Authority recognized pension expense of \$(69,628). At December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>2023</u>	<u>2022</u>
Deferred Outflows of Resources:		
Changes of assumptions	\$2,743	\$4,520
Net difference between projected and actual earnings on pension plan investments	17,686	70,916
Changes in proportion and differences between Authority contributions and proportionate share of contributions Authority contributions subsequent to the measurement date	121,098	195,151
	<u>110,000</u>	<u>121,856</u>
Total	<u>\$251,527</u>	<u>\$392,443</u>

	<u>2023</u>	<u>2022</u>
Deferred Inflows of Resources:		
Changes of assumptions	\$75,663	\$218,468
Net difference between projected and actual earnings on pension plan investments	5,103	40,014
Changes in proportion and differences between Authority contributions and proportionate share of contributions	230,359	186,745
	<u>230,359</u>	<u>186,745</u>
Total	<u>\$311,125</u>	<u>\$445,227</u>

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 6. PENSION PLANS, (continued)

**ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS
PER - GASB NO. 68, (continued)**

Public Employees Retirement System (PERS), (continued)

The \$110,000 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the fiscal year ending December 31, 2023, the plan measurement date is June 30, 2023) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
2023	\$ -	\$(125,150)
2024	(65,915)	(63,760)
2025	(36,791)	(31,094)
2026	51,413	67,836
2027	(9,201)	(149)
2028	156	-

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 5.08, 5.04, 5.13, 5.16, 5.21 and 5.63 years for 2023, 2022, 2021, 2020, 2019 and 2018 amounts, respectively.

Additional Information

Local Group Collective balances net of nonemployer (State of New Jersey) balances at December 31, 2023 and December 31, 2022 are as follows:

	<u>Dec. 31, 2023</u>	<u>Dec. 31, 2022</u>
Collective deferred outflows of resources	\$1,080,204,730	\$1,660,772,008
Collective deferred inflows of resources	1,780,216,437	3,236,303,935
Collective net pension liability	14,606,489,066	15,219,184,920
Authority's Proportion	0.0086194276%	0.0096676731%

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 6. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which rolled forward to June 30, 2023. This actuarial valuation used the following assumptions, applied to all periods in the measurement.

Inflation Rate:	
Price	2.75%
Wage	3.25%
Salary Increases	2.75-6.55% (based on years of service)
Investment Rate of Return	7.00 Percent

The actuarial assumptions used in the June 30, 2023 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2022. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

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

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 6. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2023 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Market Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Assets	3.00%	8.58%
Real Estate	8.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.91%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 6. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based 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.

Sensitivity of the Collective Net Pension Liability to Changes in the Discount Rate

The following presents the collective net pension liability of the participating employers as of June 30, 2023, calculated using the discount rate as disclosed above as well as what the collective net pension liability would be if it was calculated using a discount rate that is 1 -percentage point lower or 1- percentage-point higher than the current rate:

	June 30, 2023		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Authority's proportionate share of the pension liability	\$1,638,945	\$1,248,470	\$935,609
	June 30, 2022		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Authority's proportionate share of the pension liability	\$1,890,242	\$1,458,985	\$1,114,839

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 6. PENSION PLANS, (continued)

ACCOUNTING AND FINANCIAL REPORTING FOR PENSION IN THE FINANCIAL STATEMENTS PER - GASB NO. 68, (continued)

Public Employees Retirement System (PERS), (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS).

NOTE 7. ACCRUED SICK AND VACATION BENEFITS

The Authority permits employees to accrue a limited amount of unused vacations and sick pay, which may be paid upon retirement or death at an agreed-upon rate. It is estimated that the current cost of such unpaid compensation would approximate \$56,902 and \$46,208 at December 31, 2023 and 2022, respectively. This amount is reported as a liability and it is expected that the cost of such unpaid compensations would be included in the Authority's budget operating expenditures in the year in which it is used or charged to its reserve for future retirements which has a balance of \$50,000 as of December 31, 2023 and 2022.

NOTE 8. RELATED PARTIES

Mr. John Sylvester (Netcong), Mr. Elmer Still (Netcong), Mr. Rich Schindelar (Hopatcong), Mr. Andrew Cangiano (Mt. Arlington), and Mr. Tom Romano (Stanhope), Commissioners of the Authority, are also Councilmen of their respective municipalities. The schedule of operating revenues includes \$470,593 (Netcong), \$603,858 (Hopatcong) and \$557,267 (Stanhope) of revenue and the schedule of amounts due to/(from) municipalities includes \$14,208 (Netcong), \$18,360 (Hopatcong), \$10,308 (Netcong), \$18,360 (Hopatcong) and \$17,079 (Stanhope).

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES

Various legal actions, proceedings and claims are pending or may be instituted or asserted against the Authority. They are as follows:

The Authority is involved in litigation regarding the 2011 final New Jersey Pollutant Discharge Elimination System (NJPDDES) Permit Action ("Permit") issued by the New Jersey Department of Environmental Protection ("DEP"). In 2015 the matter was partially settled except for one unresolved issue, the limit for nitrates. The litigation was put on hold pending issuance of the next renewal permit.

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 9. COMMITMENTS AND CONTINGENT LIABILITIES, (continued)

In July 2020, the Authority applied to renew its Permit and a renewal Permit was issued on December 11, 2020. The nitrate limit in the new Permit, as before, is not currently being met. On January 5, 2021, the Authority filed a Request for a Hearing and a Request for a Stay. A stay was granted on July 7, 2022 and a request for hearing was granted on July 22, 2021. The parties are currently engaged in pre-trial discovery. A motion to compel discovery has been made by the Authority and is pending, as is a summary motion for summary disposition made by the DEP. The Authority has sought to settle the case but the DEP has not been receptive. The Authority’s former Engineer estimates that the cost of compliance with the nitrate limit in the permits is somewhere in the range of \$12,000,000 to \$20,000,000.

While the outcome of the above noted proceedings cannot be predicted, the financial impact will become clearer once the final nitrate limit is known.

NOTE 10. RISK MANAGEMENT

The Musconetcong Sewerage Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund (the “Fund”). The Fund is both an insured and self-administered group of utilities established for the purpose of providing certain low-cost property, liability, public official's liability and workers' compensation insurance coverage for member authorities. The Musconetcong Sewerage Authority pays an annual assessment to the Fund and should it be determined that payments received by the Fund for deficient, additional assessments may be levied.

The Authority continues to carry commercial insurance coverage for all other risks of loss, including employee health and life insurance. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

NOTE 11. DESIGNATION OF UNRESTRICTED NET ASSETS

The Authority maintains funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board as follows:

	<u>2023</u>	<u>2022</u>
Designated for Future Retirement Reserve	\$50,000	\$50,000
Designated for Capital Improvement Reserve	268,712	1,111,755
Designated for Renewal and Replacement Reserve	877,751	706,313
Designated for Operations Reserve	<u>50,000</u>	<u>50,000</u>
 Total Designated - Unrestricted	 <u>\$1,246,463</u>	 <u>\$1,918,068</u>

**MUSCONETCONG SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS, CONTINUED
FOR THE YEARS ENDED DECEMBER 31, 2023 AND 2022**

NOTE 11. DESIGNATION OF UNRESTRICTED NET ASSETS, (continued)

At December 31, 2023 and 2022, the Authority reported a total amount of \$1,246,463 and \$1,918,068, respectively, of Unrestricted Net Position - Designated for the purposes described above.

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

	<u>2023</u>	<u>2022</u>
Pension Related	(\$1,308,068)	(\$1,511,769)
Available for Use in Future Budgets	<u>531,812</u>	<u>520,591</u>
	<u>(\$776,256)</u>	<u>(\$991,178)</u>

NOTE 12. SUBSEQUENT EVENTS

On January 22, 2024, the Authority issued a \$2,411,067 note through the New Jersey Infrastructure Bank for the purpose of temporarily financing Project S340 384-10.

The Musconetcong Sewerage Authority has evaluated subsequent events through August 15, 2024, the date which the financial statements were available to be issued and no other items were noted for disclosure.

Required Supplementary Information - Part II

SCHEDULE RSI-1

MUSCONETCONG SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System (PERS)
Last Ten Fiscal Years

	<u>Measurement Date Ending June 30,</u>									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Authority's Proportion of the Net Pension Liability	.0086194276%	0.0096676731%	0.0090973891%	0.008550577%	0.0103295403%	0.009655997%	0.01041221%	0.00993499%	0.00981364%	
Authority's Proportionate Share of the Net Pension Liability	\$1,248,470	\$1,458,985	\$1,077,722	\$1,394,376	\$1,861,226	\$1,901,218	\$2,423,796	\$2,942,458	\$2,202,966	
Authority's Covered-Employee Payroll	\$770,433	\$669,432	\$688,930	\$646,722	\$645,204	\$733,281	\$708,332	\$713,958	\$683,452	
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-Employee Payroll	162.05%	217.94%	156.43%	215.61%	288.47%	259.28%	342.18%	412.13%	322.33%	

SCHEDULE RSI-2

**MUSCONETCONG SEWERAGE AUTHORITY
Required Supplementary Information
Schedule of the Authority's Contributions
Public Employees' Retirement System (PERS)
Last Ten Fiscal Years**

	Fiscal Year Ended December 31,									
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	
Contractually Required Contribution	\$ 114,601	\$ 106,541	\$ 96,343	\$ 101,018	\$ 96,512	\$ 96,046	\$ 96,458	\$ 84,371	\$ 77,573	
Contributions in Relation to the Contractually Required Contribution	(114,601)	(106,541)	(96,343)	(101,018)	(96,512)	(96,046)	(96,458)	(84,371)	(77,573)	
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Authority's Covered-Employee Payroll	\$ 770,433	\$ 669,432	\$ 688,930	\$ 646,722	\$ 645,204	\$ 733,281	\$ 708,332	\$ 713,958	\$ 683,452	
Contributions as a Percentage of Authority's Covered- Employee Payroll	14.87%	15.92%	13.98%	15.62%	14.96%	13.10%	13.62%	11.82%	11.35%	

SCHEDULE RSI-3

**MUSCONETCONG SEWERAGE AUTHORITY
Notes to Required Supplementary Information
For the Year ended December 31, 2023**

Public Employees' Retirement System (PERS)

Changes in Benefit Terms - None

Changes in Assumptions - The discount rate did not change from 7.00% as of June 30, 2022 to as of June 30, 2023, in accordance with Paragraph 44 of GASB Statement No. 68. This change to the discount rate is considered to be a change in actuarial assumptions under GASB No. 68.

Supplementary Schedules

MUSCONETCONG SEWERAGE AUTHORITY

SUPPLEMENTAL SCHEDULE OF REVENUES, EXPENSES AND CHANGES IN NET POSITION

FOR THE YEAR ENDED DECEMBER 31, 2023

	Restricted			Unrestricted			Total
	Net Investment in Capital Assets	Current Debt Service Reserve	Future Retirement Reserve	Capital Improvement Reserve	Designated Renewal and Replacement Reserve	Operations Reserve	
Operating Revenue:							
Service Agreements							4,480,000
Miscellaneous							42,514
Total Operating Revenue							4,522,514
Operating Expense:							
Administrative and General							281,263
Cost of Providing Services							3,115,585
Depreciation	1,848,755						1,848,755
Total Operating Expense	1,848,755						3,396,848
Operating Income	(1,848,755)						1,125,666
Non-Operating Revenue (Expense):							
Interest Income							10,583
Interest Expense							(54,694)
Excess Due to Municipalities							(136,210)
Net Income (Loss) Before Transfers	(1,848,755)						945,345
Transfers:							
Capital Expenditures	1,358,656			(1,096,122)	(28,562)		(233,972)
NJIB Receivable	(53,079)			53,079			53,079
Budget Appropriations				200,000	200,000		400,000
Bond Payments	95,815						(95,815)
Other Transfers		636					(636)
Increase/(Decrease) in Net Position	(447,363)	636		(843,043)	171,438		214,922
Net Position - January 1, 2023	19,134,846	15,226	50,000	1,111,755	706,313	50,000	1,918,068
Net Position - December 31, 2023	18,687,483	15,862	50,000	268,712	877,751	50,000	1,246,463
Total							19,173,552

MUSCONETCONG SEWERAGE AUTHORITY

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED AND RESTRICTED ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Operating Account	Payroll Account	Capital Improvement Account	Renewal and Replacement Account
Cash, Cash Equivalents and Investments - January 1, 2023	1,344,885	8,248	932,028	651,365
Cash Receipts:				
Interest on Investments	10,583			
Service Charges	4,338,121			
NJIB Receipts			53,079	
Miscellaneous	42,514	-	-	
Escrow Deposits				
Transfers		981,300	200,000	200,000
Total Cash Receipts	<u>4,391,218</u>	<u>981,300</u>	<u>253,079</u>	<u>200,000</u>
Cash and Investments Available	<u>5,736,103</u>	<u>989,548</u>	<u>1,185,107</u>	<u>851,365</u>
Cash Disbursements:				
Operations	2,894,735	929,607		
Bond Principal Payments	95,815			
Interest Payments	55,548			
Capital and Other Expenses	102,942		1,189,666	66,048
Escrow Payments				
Transfers	1,181,300		200,000	
Total Cash Disbursements	<u>4,330,340</u>	<u>929,607</u>	<u>1,389,666</u>	<u>66,048</u>
Cash, Cash Equivalents and Investments - December 31, 2023	<u><u>1,405,763</u></u>	<u><u>59,941</u></u>	<u><u>(204,559)</u></u>	<u><u>785,317</u></u>
Analysis of Balance:				
Cash and Cash Equivalents	<u>1,405,763</u>	<u>59,941</u>	<u>(204,559)</u>	<u>785,317</u>
	<u><u>1,405,763</u></u>	<u><u>59,941</u></u>	<u><u>(204,559)</u></u>	<u><u>785,317</u></u>
Unrestricted	1,382,803	59,941	(204,559)	785,317
Restricted	<u>22,960</u>			
	<u><u>1,405,763</u></u>	<u><u>59,941</u></u>	<u><u>(204,559)</u></u>	<u><u>785,317</u></u>

MUSCONETCONG SEWERAGE AUTHORITY

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND
CHANGES IN CASH AND INVESTMENTS
UNRESTRICTED AND RESTRICTED ACCOUNTS
FOR THE YEAR ENDED DECEMBER 31, 2023

	Escrow Account	Total
Cash, Cash Equivalents and Investments - January 1, 2023	10,134	2,946,660
Cash Receipts:		
Interest on Investments		10,583
Service Charges		4,338,121
NJIB Receipts		53,079
Miscellaneous		42,514
Escrow Deposits	19,482	19,482
Transfers		1,381,300
Total Cash Receipts	19,482	5,845,079
Cash and Investments Available	29,616	8,791,739
Cash Disbursements:		
Operations		3,824,342
Bond Principal Payments		95,815
Interest Payments		55,548
Capital and Other Expenses		1,358,656
Escrow Payments	19,077	19,077
Transfers		1,381,300
Total Cash Disbursements	19,077	6,734,738
Cash, Cash Equivalents and Investments - December 31, 2023	10,539	2,057,001
Analysis of Balance:		
Cash and Cash Equivalents	10,539	2,057,001
	10,539	2,057,001
Unrestricted	-	2,023,502
Restricted	10,539	33,499
	10,539	2,057,001

**MUSCONETCONG SEWERAGE AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2023**

	FY 2022 Adopted Budget	FY 2023 Budget as Amended	Current Year Actual	Excess / (Deficit)	Prior Year Actual
Revenues:					
Net Position Appropriated	119,889	119,889	119,889	-	109,821
Operating Revenues:					
Service Charges:					
Township of Byram	110,100	110,100	110,100	-	100,156
Borough of Hopatcong	603,858	603,858	603,858	-	1,010,936
Borough of Mount Arlington	343,574	343,574	343,574	-	312,544
Township of Mount Olive	1,596,058	1,596,058	1,596,058	-	1,451,909
Borough of Netcong	470,593	470,593	470,593	-	428,090
Township of Roxbury	798,550	798,550	798,550	-	726,428
Borough of Stanhope	557,267	557,267	557,267	-	506,937
Miscellaneous	-	-	42,514	42,514	27,426
Non-Operating Revenues:					
Interest on Investments	-	-	10,583	10,583	6,957
Total Revenues	4,599,889	4,599,889	4,652,986	53,097	4,681,204

**MUSCONETCONG SEWERAGE AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2023**

	FY 2022 Adopted Budget	FY 2023 Budget as Amended	Current Year Actual	Excess / (Deficit)	Prior Year Actual
Expenses:					
Operating Expenses:					
Administrative:					
Salaries and Wages	180,000	180,000	172,057	7,943	177,780
Fringe Benefits:					
Pension (PERS)	28,550	28,550	28,515	35	26,860
Social Security Tax	15,000	15,000	14,767	233	13,302
Hospitalization	54,000	60,000	59,523	477	40,207
Disability Insurance	2,500	2,500	1,982	518	1,209
Unemployment Insurance	1,700	1,700	1,418	282	1,388
Other Expenses:					
Office Supplies	40,000	49,100	48,268	832	33,710
Total Administrative	321,750	336,850	326,530	10,320	294,456
Cost of Providing Services:					
Salaries and Wages	668,000	668,000	642,528	25,472	675,394
Fringe Benefits:					
Pension (PERS)	85,550	85,550	85,546	4	101,046
Social Security Tax	45,000	45,000	44,303	697	50,040
Hospitalization	163,000	167,000	166,571	429	151,255
Disability Insurance	6,500	6,500	5,945	555	4,549
Unemployment Insurance	5,200	5,200	4,255	945	5,222
Other Expenses:					
Legal	35,000	35,000	37,871	(2,871)	21,890
Audit	20,000	36,000	35,350	650	16,125
Engineer	35,000	35,000	34,614	386	27,650
Telephone	15,000	15,000	11,295	3,705	10,530
Electric	500,000	500,000	469,903	30,097	450,380
Propane/Fuel Oil	30,000	30,000	13,107	16,893	29,786
Supplies and Chemicals	225,000	225,000	146,560	78,440	172,415
Laboratory Supplies	8,000	8,000	6,321	1,679	5,951

MUSCONETCONG SEWERAGE AUTHORITY
 SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
 BY OPERATING REVENUE COMPARED TO BUDGET
 FOR THE YEAR ENDED DECEMBER 31, 2023

	FY 2022 Adopted Budget	FY 2023 Budget as Amended	Current Year Actual	Excess / (Deficit)	Prior Year Actual
Operating Expenses (continued):					
Cost of Providing Services:					
Other Expenses (continued):					
Office Expense	30,000	30,000	25,776	4,224	28,498
External Services	75,000	75,000	69,686	5,314	69,944
Training and Education	15,000	15,000	13,631	1,369	11,945
Laboratory Fees	20,000	35,000	34,453	547	16,589
Maintenance and Repairs	200,000	200,000	199,593	407	173,556
Insurance	135,000	143,400	143,057	343	130,852
NJDEP Fees	25,000	25,000	19,804	5,196	19,178
Trustee Fees	15,000	15,000	2,560	12,440	15,030
Permit/Compliance	25,000	31,500	31,208	292	31,782
Equipment (non-capital)	70,000	70,000	61,804	8,196	47,503
Sludge Removal	1,095,370	1,030,370	979,133	51,237	833,654
Contingency	25,000	25,000	-	25,000	-
IT & Cyber-Security	-	-	1,002	(1,002)	-
Total Cost of Providing Services	3,571,620	3,556,520	3,285,876	270,644	3,100,764
Total Operating Expenses	3,893,370	3,893,370	3,612,406	280,964	3,395,220
Other Costs Funded by Operating Revenues:					
Debt Service:					
Interest Expense	54,694	54,694	54,694	-	26,522
Loan Principal	251,825	251,825	95,815	156,010	686,388
Reserves:					
Capital Improvements	200,000	200,000	200,000	-	200,000
Renewal and Replacement	200,000	200,000	200,000	-	200,000
Sub-total Other Costs	706,519	706,519	550,509	156,010	1,112,910
Total Costs Funded by Operating Revenues	4,599,889	4,599,889	4,162,915	436,974	4,508,130
Add: Excess / (Deficit)	-	-	490,071	490,071	173,074
	4,599,889	4,599,889	4,652,986	(53,097)	4,681,204

**MUSCONETCONG SEWERAGE AUTHORITY
SCHEDULE OF OPERATING REVENUE AND COSTS FUNDED
BY OPERATING REVENUE COMPARED TO BUDGET
FOR THE YEAR ENDED DECEMBER 31, 2023**

	FY 2022 Adopted Budget	FY 2023 Budget as Amended	Current Year Actual	Excess / (Deficit)	Prior Year Actual
Excess of Revenues Over Expenses:			490,071		173,074
Reconciliation of Budgetary Basis to GAAP:					
Depreciation Expense			(1,848,755)		(1,611,651)
Amortization			-		3,400
Excess Due to Municipalities			(136,210)		(63,253)
Net Position Utilized			(119,889)		(109,821)
Bond Principal			95,815		686,388
Capital Improvements			200,000		200,000
Renewal and Replacement			200,000		200,000
Pension Adjustment			215,558		20,959
Total Adjustments			<u>(1,393,481)</u>		<u>(673,978)</u>
Change in Net Position			<u>(903,410)</u>		<u>(500,904)</u>

MUSCONETCONG SEWERAGE AUTHORITY

**SCHEDULE OF CAPITAL BUDGET PROGRAM
FUNDED BY FINANCING SOURCES
FOR THE YEAR ENDED DECEMBER 31, 2022**

	FY 2022 Adopted Budget	FY 2022 Budget as Amended	Paid or Charged	Excess / (Deficit)
Financing Sources:				
Unrestricted Net Position Utilized	300,000	300,000	233,972	66,028
Debt Authorization	2,325,000	2,325,000	1,052,862	1,272,138
Capital Improvement Reserve	-	250,000	257,410	(7,410)
Renewal and Replacement Reserve	135,000	172,000	28,562	143,438
	<u>2,760,000</u>	<u>3,047,000</u>	<u>1,572,806</u>	<u>1,474,194</u>
Capital Outlays:				
V.F.D. Replacement Project	75,000	75,000	28,562	46,438
Pump Station(s) Renewals	50,000	50,000	4,913	45,087
Demolition Old Service Building	325,000	325,000	-	325,000
New Trucks	60,000	60,000	-	60,000
HVAC & Roofs (Contract 360)	1,800,000	1,800,000	1,052,862	747,138
CCTV Inspection and Cleaning Collection System	250,000	250,000	229,059	20,941
HVAC System and Boiler	200,000	200,000	-	200,000
Grinder Replacement		230,000	170,277	59,723
Pumps for Plant		20,000	-	20,000
Pumps for Pump Stations		27,000	-	27,000
Phase III Air Permit (Contract 310)		10,000	1,822	8,178
Influent Screening (Contract 300)	-	-	53,070	(53,070)
PCSIU (Contract 350)	-	-	1,149	(1,149)
Plant Process Evaluation (Contract 365)	-	-	31,092	(31,092)
Other Non-Budgeted Ren. & Replacement	-	-	-	-
	<u>2,760,000</u>	<u>3,047,000</u>	<u>1,572,806</u>	<u>1,474,194</u>
Total Capital Outlays	<u>2,760,000</u>	<u>3,047,000</u>	<u>1,572,806</u>	<u>1,474,194</u>
Total Costs Funded by Capital Revenue	2,760,000	3,047,000	1,572,806	1,474,194
Add: Excess	-	-	-	-
	<u>2,760,000</u>	<u>3,047,000</u>	<u>1,572,806</u>	<u>1,474,194</u>

MUSCONETCONG SEWERAGE AUTHORITY

SCHEDULE OF REVENUE AND REVENUE REFUNDING BONDS

Description	Date of Issue	Interest Rate	Outstanding Maturities		Balance Jan. 1, 2023	Issued	Redeemed	Balance Dec. 31, 2023
			Date	Amount				
NJ/EIT Bonds (Series 2010) Trust Portion	12/2/2010	5.00%	2024	45,000	404,000		41,000	363,000
		5.00%	2025	45,000				
		4.25%	2026	50,000				
		4.50%	2027	55,000				
		4.50%	2028	55,000				
		4.50%	2029	55,000				
		4.25%	2030	58,000				
NJ/EIT Bonds (Series 2010) Fund Portion	12/2/2010	n/a	2024	54,815				334,023
		n/a	2025	54,815				
		n/a	2026	54,815				
		n/a	2027	54,815				
		n/a	2028	54,815				
		n/a	2029	54,208				
		n/a	2030	5,740				
Current Portion Noncurrent Portion					388,838		54,815	334,023
					792,838		95,815	697,023
					95,815			99,815
				697,023			597,208	
				792,838			697,023	

MUSCONETCONG SEWERAGE AUTHORITY

SCHEDULE OF AMOUNT DUE TO (FROM) MUNICIPALITIES
FOR THE YEAR ENDED DECEMBER 31, 2023

Analysis of 2023 Operations:

Excess of Revenues Over Expenses (Schedule 3)	490,071
Less: Net Position Utilized for Budget	(119,889)
Less: Capital Expenditures Funded by Net Position (Schedule 4)	<u>(233,972)</u>
Amount Due To (From) Municipalities	<u>136,210</u>

Apportionment of Operations:

	%s (1)	FY 2023 Budget		Revenue Realized	Excess (Deficit)	Share of FY 2023 Operations	Amount Due To (From)
		Operating	Debt Service				
Township of Byram	2.36%	105,513	\$ 4,587	110,100	\$ -	3,211	\$ 3,211
Borough of Hopatcong	13.48%	578,702	25,156	603,858	-	18,360	18,360
Borough of Mt. Arlington	7.67%	329,262	14,312	343,574	-	10,446	10,446
Township of Mt. Olive	35.63%	1,529,569	66,490	1,596,059	-	48,527	48,527
Borough of Netcong	10.50%	450,988	19,604	470,592	-	14,308	14,308
Township of Roxbury	17.82%	765,284	33,266	798,550	-	24,279	24,279
Borough of Stanhope	12.54%	534,052	23,215	557,267	-	17,079	17,079
	100.00%	<u>4,293,370</u>	<u>186,630</u>	<u>4,480,000</u>	<u>-</u>	<u>136,210</u>	<u>136,210</u>

(1) Based on 2023 Annual Average Flow or Guaranteed Minimum Flow Per Service Contracts.

NOTE:

This schedule is being generated for management purposes only.

SCHEDULE 7

ROSTER OF OFFICIALS AND REPORT ON SURETY BONDS

The following officials were in office at December 31, 2023:

<u>Name</u>	<u>Office</u>	<u>Position</u>	<u>Term</u>
<u>Expires</u>			
Steven Rattner	Mount Olive	Chairman	1/31/2024
John Sylvester	Netcong	Vice Chairman/Councilman	1/31/2026
Joseph Schwab	Roxbury	Secretary-Treasurer	1/31/2026
Thomas Romano	Stanhope	Asst. Secretary-Treasurer/ Councilman	1/31/2026
James Benson	Stanhope	Commissioner	1/31/2023
Michael Grogan	Netcong	Commissioner	1/31/2025
Brian McNeilly	Stanhope	Commissioner	1/31/2024
Melanie Michetti	Roxbury	Commissioner	1/31/2024
Andrew Cangiano	Mt. Arlington	Commissioner/Councilman	1/31/2025
Michael Pucilowski	Mount Olive	Commissioner	1/31/2026
Rich Schindelar	Hopatcong	Commissioner/Councilman	1/31/2025
Elmer Still	Netcong	Commissioner/Councilman	1/31/2024
Joseph Sabatini	Byram	Non-voting Member	
Michael Orgera	Byram	Non-voting Member	
Patrick Dwyer		Attorney	
James Schilling		Director	
Thomas Carroll		Qualified Purchasing Agent	
Frank Covelli		Risk Manager	
John Napolitano		Labor Attorney	
PS&S		Engineer	

All members and employees are covered by insurance policies provided through the New Jersey Utility Authorities Joint Insurance Fund.

SCHEDULE 8

MUSCONETCONG SEWERAGE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED DECEMBER 31, 2023

Federal Grantor/Pass-Through Grantor/Program Title/Cluster Title	CFDA Number	State Agency Account Number	Grant Award	Grant Receipts	Grant Period		Grant Expenditures	Cumulative Grant Expenditures
					From	To		
U.S. Environmental Protection Agency: <i>Pass Through New Jersey Department of Environmental Protection:</i>								
Capitalization Grants for Clean Water State Revolving Funds:								
NJEIT Project No. S340384-09	66.458	n/a	\$ 2,970,297	\$ 26,539	01/01/23	12/31/23	\$ -	\$ 2,469,374
NJEIT Project No. S340384-10	66.458	n/a	\$ 1,193,598	\$ -	01/01/23	12/31/23	\$ 600,727	\$ 600,727
Total Federal Financial Assistance			\$ 26,539				\$ 600,727	\$ 3,070,101

This schedule is presented for management information purposes only and is not required by Uniform Guidance.

MUSCONETCONG SEWERAGE AUTHORITY

SCHEDULE OF EXPENDITURES OF STATE AWARDS

DECEMBER 31, 2023

State Grant Account Number	State Grant Award	Grant Receipts	Grant Period		Grant Expenditures	Cumulative Grant Expenditures
			From	To		
<u>New Jersey Department of Environmental Protection:</u>						
Sewerage Facility Construction Grants:						
042-4800-526-006	\$ 2,970,297	\$ 26,540	01/01/23	12/31/23	\$ -	\$ 2,469,374
042-4800-526-006	\$ 1,193,598	\$ -	01/01/23	12/31/23	\$ 600,727	\$ 600,727
		<u>\$ 26,540</u>			<u>\$ 600,727</u>	<u>\$ 3,070,101</u>
Total State Financial Assistance						

This schedule is presented for management information purposes only and is not required by N.J. OMB Circular 15-08.

Government Auditing Standards Report



WIELKOTZ & COMPANY ^{LLC}

CERTIFIED PUBLIC ACCOUNTANTS

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER
FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN
ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

Honorable Chairman and Members
Musconetcong Sewerage Authority
Budd Lake, New Jersey 07828

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Musconetcong Sewerage Authority, as of and for the year ended December 31, 2023, and the related notes to the financial statements, and have issued our report thereon dated August 15, 2024.

Internal Control Over Financial Reporting

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

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

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



of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over financial reporting that we consider to be a material weakness, as defined above.

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.

Compliance and Other Matters

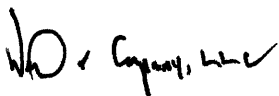
As part of obtaining reasonable assurance about whether the Musconetcong Sewerage Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have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

Management's Response to Findings

Musconetcong Sewerage Authority's response to the findings identified in our audit are described in the accompanying schedule of findings and responses. Management's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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



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

August 15, 2024

MUSCONETCONG SEWERAGE AUTHORITY

**SUMMARY SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2023**

Status of Prior Year Findings

A review was performed on all prior year recommendations and corrective action was taken on all items.

General Comments and Recommendations

MUSCONETCONG SEWERAGE AUTHORITY

GENERAL COMMENTS

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

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

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. “When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the sum of \$44,000, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations.”

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

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

Inasmuch as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed.

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

Resolutions were adopted authorizing the awarding of contract or agreements for “Professional Services” per N.J.S.A. 40A:11-5.

MUSCONETCONG SEWERAGE AUTHORITY

A review was performed on all prior year recommendations and corrective action was taken on all items, except those noted with an asterisk "*".

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

We wish to thank Musconetcong Sewerage Authority for their cooperation during the performance of our audit.

Respectfully submitted,



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