

**CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE
TOWNSHIP OF CLINTON)**

COUNTY OF HUNTERDON

December 31, 2023



**CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A COMPONENT UNIT OF THE TOWNSHIP OF CLINTON)**

For the Years Ended December 31, 2023 and 2022

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CLINTON TOWNSHIP SEWERAGE AUTHORITY
(A Component Unit of the Township of Clinton)
Roster of Officials
Year Ended December 31, 2023

| <u>Members of the Authority</u> | <u>Title</u> |
|--|-----------------|
| Steven Krommenhoek | Chairman |
| Peter Geiger | Vice Chairman |
| Edward Schneider | Secretary |
| Katrin Glode-Sethna | Treasurer |
| Dan McTiernan | Member |
| Joseph Wrba | Member |
| | |
| <u>Administration of the Authority</u> | <u>Title</u> |
| Meliss Paulus | Administrator |
| Christopher Langhart, McManimon, Scotland & Baumann LLC | General Counsel |
| Mott MacDonald | Engineer |

See independent auditors' report.



Certified Public Accountants, PC

www.bkc-cpa.com

Independent Auditors' Report

Honorable Chairman and Members of
Clinton Township Sewerage Authority
Clinton Township, Hunterdon County, New Jersey

Report on the Audit of the Financial Statements

Opinions

We have audited the accompanying financial statements of the business-type activities of Clinton Township Sewerage Authority, a component unit of the Township of Clinton, in the County of Hunterdon, State of New Jersey, as of and for the years ended December 31, 2023 and 2022, and the related Notes to the Financial Statements, which collectively comprise Clinton Township Sewerage 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 respective financial position of the business-type activities of the Clinton Township Sewerage Authority, as of December 31, 2023 and December 31, 2022, and the respective changes in financial position thereof and for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

We conducted our audit in accordance with accounting standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Clinton Township 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 opinions.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 misstatement, whether due to fraud or error.

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

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 that are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and *Government Auditing Standards*, we:

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess 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 Clinton Township 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Clinton Township 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 Budgetary Comparison Information, Schedule of the Authority's Proportionate Share of the Net Pension Liability, and the Schedule of Authority Contributions to the Public Employees Retirement System identified 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 an essential part of the financial reporting for placing the basic financial statements in an appropriated operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with the auditing standards generally accepted in the United States of America, which consisted of inquires of Management about the methods of preparing the information and comparing the information for consistency with Management's responses to our inquires, the basis 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

Management is responsible for the other information included in the annual report. The other information comprises the Roster of Officials and Schedule of Changes in Restricted Assets. Our opinions on the basic financial statements do not cover the other information and we do not express an opinion or any form of assurance thereon.

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 the *Government Auditing Standards*, we have also issued our report dated July 2, 2024, on our consideration of the Clinton Township 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 Clinton Township Sewerage Authority's internal controls over financial reporting and compliance.



BKC, CPAs, PC

July 2, 2024
Flemington, New Jersey

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Management's Discussion and Analysis
For the Year Ended December 31, 2023

Introduction

The Clinton Township Sewerage Authority (the Authority) hereby presents its Annual Financial Report prepared in accordance with Governmental Accounting Standards Board (GASB), and related standards.

Mission

The mission of the Authority is to protect the public health and the environment by providing environmentally sound and affordable sewerage treatment and disposal for the residents of Clinton Township.

Responsibility and Controls

The Authority has prepared and is responsible for the financial statements and related information included in this report. The Management feels that the cost of the system should not exceed its benefits and due diligence has been taken to maintain the cost of running the plant and the system at reasonable rates and with good accounting practices.

The Authority is made up of six appointed Members and are appointed by the Governing Body of the Township of Clinton for five-year terms.

The Authority meets on a monthly basis at an open public meeting. Individual members also periodically meet with the Auditor and General Counsel to review and gain input and guidance on the financial practices of the Authority.

Based on its present and past practices the Authority is proud to present a stable and responsible financial accounting.

Summary of Organization

The Sewerage Authorities Law of the State of New Jersey (L1946,c.138 as amended; RS 40:14A01, et seq.) declared it to be in the public interest and to be the policy of the State and its communities to foster and promote by all reasonable means the relief of waters from pollution and to reduce and ultimately abate the menace to the public health caused thereby. The Township of Clinton was granted express authority to create the Clinton Township Sewerage Authority to acquire, construct, maintain, operate or improve works for the collection, treatment and purification or disposal or sewerage.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Management's Discussion and Analysis
For the Year Ended December 31, 2023

The Town of Clinton operates and maintains the sewer plant. Operational and maintenance costs for both the plant and local sewer lines are funded from customers' fees and charges.

Auditors

The audit is conducted by independent auditors, BKC, CPAs, PC, and is included in this report.

Management's Discussion and Analysis (MD&A)

This section of the Clinton Township Sewerage Authority's annual financial report presents our discussion and analysis of the Authority's financial performance during the fiscal year ending December 31, 2023. Please read it in conjunction with the Authority's condensed financial statements (Exhibits A and B), which follow this section.

Financial Highlights

1. The Authority's total assets increased 2.98% over the course of this year's operations. This was primarily due to an increase in a loan receivable and capital assets.
2. During the year, the Authority's operating revenues increased by 6.46%. This was due to an increase in sewer billings and connections fees in the current year.
3. Operating expenses increased by 6.13%. The largest increase in expenses was for legal fees which increased \$68,409.
4. Net position decreased by 1.65%. Part of this decrease was a result of a decrease in restricted assets.

Overview of Annual Financial Report

The financial statements report information about the Authority using accrual accounting methods as utilized by similar business activities in the private sector. However, rate-regulated accounting principles applicable to private sector utilities are not used by government utilities. The financial statements include Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, Statements of Cash Flows, and Notes to the Financial Statements.

The Statements of Net Position presents the financial position of the Authority on an accrual basis. The Statements of Net Position presents information on all of the Authority's assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are one indicator of whether the financial position of the Authority is improving or deteriorating.

The Statements of Revenues, Expenses and Changes in Net Position presents the results of the Authority's activities over the course of the fiscal year and information as to how the net position changed during the year.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Management's Discussion and Analysis
For the Year Ended December 31, 2023

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

The Notes to the Financial Statements provide disclosures and other information that is essential to a full understanding of material data provided in the statements. Supplementary information comparing the budget to actual revenues and expenses as well as changes in restricted accounts is provided.

The system requires constant maintenance and inspection and as the sewer lines age more repair work and replacements are required.

Revenues from new applications and connections will decrease as surplus capacity becomes less available.

Financial Analysis

The attached comparative condensed financial statements serve as the key financial data and indicators for management, monitoring and planning.

Availability of Financial Report

This report is prepared in compliance with State mandates and will be made available to residents, taxpayers and any interested person or entity upon request at the Authority's office located at 79 Beaver Avenue Suite 3, Clinton, NJ 08809.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Management's Discussion and Analysis
Condensed Financial Statements

Condensed Statement of Net Position

Exhibit A

| | December 31, | | Increase (Decrease) |
|---|----------------------|----------------------|------------------------|
| | 2023 | 2022 | |
| Assets | | | |
| Current assets | | | |
| Unrestricted assets | \$ 1,265,266 | \$ 1,301,200 | \$ (35,934) |
| Restricted assets | 600,245 | 700,991 | (100,746) |
| Capital assets, net | 9,172,887 | 8,717,237 | 455,650 |
| Total current assets | <u>11,038,398</u> | <u>10,719,428</u> | 318,970 |
| Deferred outflows of resources | <u>77,013</u> | <u>107,096</u> | <u>(30,083)</u> |
| Total assets and deferred outflows of resources | <u>\$ 11,115,411</u> | <u>\$ 10,826,524</u> | <u>\$ 288,887</u> |
| Liabilities | | | |
| Current liabilities | | | |
| Unrestricted | \$ 953,089 | \$ 350,506 | \$ 602,583 |
| Restricted | 34,231 | 41,305 | (7,074) |
| Non-current liabilities | 595,050 | 719,728 | (124,678) |
| Total liabilities | <u>1,582,370</u> | <u>1,111,539</u> | 470,831 |
| Deferred inflows of resources | <u>14,997</u> | <u>37,113</u> | <u>(22,116)</u> |
| Net position | | | |
| Net investment in capital assets | 8,056,837 | 8,101,682 | (44,845) |
| Restricted | 566,014 | 659,686 | (93,672) |
| Unrestricted | 895,193 | 916,504 | (21,311) |
| Total net position | <u>9,518,044</u> | <u>9,677,872</u> | <u>(159,828)</u> |
| Total liabilities, deferred inflows of resources and net position | <u>\$ 11,115,411</u> | <u>\$ 10,826,524</u> | <u>\$ 288,887</u> |

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Management's Discussion and Analysis
Condensed Financial Statements (continued)

Condensed Statement of Revenues, Expenses and Changes in Net Position

Exhibit B

| | For the Year Ended December 31, | | Increase (Decrease) |
|-------------------------------------|------------------------------------|---------------------|------------------------|
| | 2023 | 2022 | |
| Operating revenues | \$ 1,368,949 | \$ 1,285,835 | \$ 83,114 |
| Operating expenses | 1,655,641 | 1,560,030 | 95,611 |
| Operating income (loss) | (286,692) | (274,195) | (12,497) |
| Non-operating revenues (expenses) | 126,864 | 760,274 | (633,410) |
| Increase (decrease) in net position | (159,828) | 486,079 | (645,907) |
| Net position beginning of year | 9,677,872 | 9,191,793 | 486,079 |
| Net position end of year | <u>\$ 9,518,044</u> | <u>\$ 9,677,872</u> | <u>\$ (159,828)</u> |

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Statements of Net Position
December 31,

| | 2023 | 2022 |
|---|---------------|---------------|
| Assets | | |
| Current unrestricted assets | | |
| Cash and cash equivalents | \$ 530,151 | \$ 1,225,746 |
| Accounts receivable | 101,049 | 75,454 |
| New Jersey Infrastructure Bank Receivable | 634,066 | - |
| Total unrestricted assets | 1,265,266 | 1,301,200 |
| Non-current restricted assets | | |
| Cash and cash equivalents | 600,245 | 700,991 |
| Total restricted assets | 600,245 | 700,991 |
| Capital assets | | |
| Capital assets being depreciated | 13,121,139 | 13,045,099 |
| Capital assets not being depreciated | 1,138,895 | 462,533 |
| Less: accumulated depreciation | (5,087,147) | (4,790,395) |
| Net capital assets | 9,172,887 | 8,717,237 |
| Total assets | 11,038,398 | 10,719,428 |
| Deferred outflows of resources | 77,013 | 107,096 |
| Total assets and deferred outflows of resources | \$ 11,115,411 | \$ 10,826,524 |

See accompanying notes to the financial statements.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Statements of Net Position (continued)
December 31,

| | 2023 | 2022 |
|--|---------------|---------------|
| Liabilities | | |
| Current liabilities | | |
| Accounts payable | \$ 179,149 | \$ 199,144 |
| Accrued sick pay | 21,130 | 17,792 |
| Construction loan payable | 634,066 | - |
| Current portion of long-term payable | 118,744 | 133,570 |
| Total current liabilities | 953,089 | 350,506 |
| Current liabilities (payable from restricted assets) | | |
| Reserve for developers deposits | 34,231 | 41,305 |
| Total current liabilities (payable from restricted assets) | 34,231 | 41,305 |
| Non-current liabilities | | |
| Long-term payable | 363,240 | 481,985 |
| Net pension liability | 231,810 | 237,743 |
| Total non-current liabilities | 595,050 | 719,728 |
| Total liabilities | 1,582,370 | 1,111,539 |
| Deferred inflows of resources | 14,997 | 37,113 |
| Net position | | |
| Net investment in capital assets | 8,056,837 | 8,101,682 |
| Restricted | 566,014 | 659,686 |
| Unrestricted | 895,193 | 916,504 |
| Total net position | 9,518,044 | 9,677,872 |
| Total liabilities, deferred inflows of resources, and net position | \$ 11,115,411 | \$ 10,826,524 |

See accompanying notes to the financial statements.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
For the Years Ended December 31,

| | 2023 | 2022 |
|---|--------------|--------------|
| Operating revenues | | |
| Sewer charges | \$ 1,350,889 | \$ 1,266,531 |
| Late charges and fees | 14,667 | 18,415 |
| Interest income | 3,393 | 889 |
| Total operating revenues | 1,368,949 | 1,285,835 |
| Operating expenses | | |
| Administrative and general | 413,828 | 339,382 |
| Cost of providing services | 927,304 | 922,565 |
| Depreciation | 314,509 | 298,083 |
| Total operating expenses | 1,655,641 | 1,560,030 |
| Operating income (loss) | (286,692) | (274,195) |
| Non-operating revenues (expenses) | | |
| Connection fees | 80,365 | 26,212 |
| Interest income - unrestricted | 55,470 | 1,637 |
| Interest income - restricted | 138 | 28 |
| NJ Environmental Infrastructure Trust credits | 9,866 | 8,885 |
| Miscellaneous | - | 745,962 |
| Interest expense | (18,975) | (22,450) |
| Total non-operating revenues (expenses) | 126,864 | 760,274 |
| Change in net position | (159,828) | 486,079 |
| Net position, beginning | 9,677,872 | 9,191,793 |
| Net position, ending | \$ 9,518,044 | \$ 9,677,872 |

See accompanying notes to the financial statements.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Statements of Cash Flows
For the Years Ended December 31,

| | 2023 | 2022 |
|--|--------------|--------------|
| Cash flows from operating activities | | |
| Cash received from customers | \$ 1,325,294 | \$ 1,318,365 |
| Other operating cash receipts | 14,667 | 18,415 |
| Cash payments to suppliers and employees | (1,355,755) | (1,343,207) |
| Interest income | 3,393 | 889 |
| Net cash provided by (used for) operating activities | (12,401) | (5,538) |
| Cash flow from capital and related financing activities | | |
| Connection fees | 80,365 | 26,212 |
| Non-operating interest income | 55,608 | 1,665 |
| Non-operating miscellaneous income | - | 745,962 |
| Proceeds from developer's deposits (net) | (7,074) | 12,957 |
| NJ Environmental Infrastructure Trust credits | 9,866 | 8,885 |
| Capital expenditures | (770,159) | (192,368) |
| Payment of debt principal | (123,321) | (118,366) |
| Payment of debt interest | (18,975) | (22,450) |
| Payment of capital lease | (10,250) | (9,640) |
| Net cash (used for) provided by capital and related financing activities | (783,940) | 452,857 |
| Net increase (decrease) in cash and cash equivalents | (796,341) | 447,319 |
| Cash and cash equivalents, beginning | 1,926,737 | 1,479,418 |
| Cash and cash equivalents, ending | \$ 1,130,396 | \$ 1,926,737 |
| Reconciliation of balance sheet | | |
| Unrestricted cash and cash equivalents | \$ 530,151 | \$ 1,225,746 |
| Restricted cash and cash equivalents | 600,245 | 700,991 |
| Total cash and cash equivalents | \$ 1,130,396 | \$ 1,926,737 |

See accompanying notes to the financial statements.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Statements of Cash Flows (continued)
For the Years Ended December 31,

| | 2023 | 2022 |
|--|--------------|--------------|
| Reconciliation of income (loss) from operations to net cash provided by (used for) operating activities | | |
| Operating income (loss) | \$ (286,692) | \$ (274,195) |
| Adjustments to reconcile income (loss) from operations to net cash provided by (used for) operating activities | | |
| Depreciation | 314,509 | 298,083 |
| Change in assets and liabilities | | |
| Increase (decrease) in accounts payable | (19,995) | (71,525) |
| (Increase) decrease in accounts receivable | (25,595) | 51,834 |
| Increase (decrease) in accrued sick pay | 3,338 | 1,321 |
| Increase (decrease) in deferred inflow of resources | (22,116) | (35,809) |
| (Increase) decrease in deferred outflow of resources | 30,083 | (96,610) |
| Increase (decrease) in net pension liability | (5,933) | 121,363 |
| Net cash provided by (used for) operating activities | \$ (12,401) | \$ (5,538) |

See accompanying notes to the financial statements.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies

The financial statements of the Clinton Township Sewerage Authority (the Authority) have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to Governmental Units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant accounting policies of the Authority's accounting policies are described below.

Reporting entity

The Authority (a component unit of the Township of Clinton) was created in accordance with the State Municipal Utilities Authorities Law (PL 1957, Chapter 183) by ordinance of the Township of Clinton in 1975 to construct and operate a sanitary sewer collection system in the Township of Clinton, Hunterdon County, New Jersey.

The Authority consists of six officials appointed by the Township of Clinton and is responsible for the fiscal control of the operations of the sewer system. Since the Authority issues its own financial statements, its financial activity is not included in the financial statements of the Township of Clinton.

Basis of presentation - fund accounting

The operations of the Authority are recorded in a proprietary fund type. Proprietary funds are used to account for activities that are financed and operated in a manner similar to business enterprises and the intention is that costs (expenses, including depreciation and amortization) of providing services to the general public on a continuing basis are to be financed or recovered primarily through user charges.

Basis of accounting

The Authority's financial statements are presented on the accrual basis in accordance with accounting principles generally accepted in the United States of America.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types. Under this method of accounting, revenues are recorded in the accounting period in which they are earned, and expenses are recorded as incurred.

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

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)

Use of estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of American requires Management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent net assets and liabilities at the Statements of Net Position date and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation and amortization expense, among other accounts. Actual results may differ from those estimates.

Budget and budgetary accounting

At least 60 days prior to the Authority's year-end (December 31), the Authority must file its operating budget with the Director of the State of New Jersey Division of Local Government Services for approval. Within 45 days after receipt of the Authority's budget, the Director shall either approve or notify the Authority of the reasons for non-approval of the budget and to state the conditions upon which the approval will be granted. After approval, the Authority will formally adopt the budget. The budget is prepared based on the accounting principles and practices as prescribed by the Division of Local Government Services.

Income taxes

The Authority is a component unit of the Township of Clinton and is not required to file tax returns. Accordingly, no provision for income taxes has been made in the financial statements.

Restricted assets

The Authority has restricted the below summarized accounts which may only be utilized for the purposes indicated:

| <u>Account</u> | <u>Use for which Restricted</u> |
|---------------------------------------|---|
| Reserve for Developer's Deposits | Funds required by the Authority to assure payment of performance |
| Reserve for Accrued Treatment Costs | Funds held in escrow by the attorney relating to accrued treatment costs. |
| Reserve for State Unemployment | Required employee and employer contribution to State Unemployment Insurance Fund - Reimbursement Method |
| Reserve for Construction | Construction and/or reconstruction of assets including the construction of the Annandale collection system project. |
| Reserve for Renewals and Replacements | Renewals and replacements funded by budget appropriations |

Net position

Net position represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources. In the government-wide financial statements, net position is classified into the following three components:

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 1 - Summary of significant accounting policies (continued)
Net position (continued)

- *Net investment in Capital Assets* - This component represents capital assets, less accumulated depreciation, accumulated amortization and net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets.

- *Restricted* - Net position is 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.

- *Unrestricted* - Net position is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Deferred outflows/inflows of resources

In addition to assets, the Statements of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. Currently, the Authority has one item that qualifies for reporting in this category, deferred amount on pension activity. In addition to liabilities, the Statements of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has one item that qualifies for reporting in this category, deferred amount on pension activity.

Capital assets

Capital assets are recorded as expenditures at the time of purchase and the related assets are capitalized at cost, which includes direct construction costs and other expenditures related to construction. Depreciation and amortization on assets acquired with grants-in-aid is recorded as a reduction of contributed capital. Depreciation and amortization is recorded using the straight-line method over the estimated useful lives of the assets as follows:

| | |
|----------------------------|---------------|
| Pump stations | 30 - 75 years |
| Sewer mains | 50 - 75 years |
| Maintenance equipment | 5 - 25 years |
| Office equipment/furniture | 5 - 10 years |

Compensated absences

Compensated absences are granted to employees for sick leave. Upon retirement, employees shall be paid for the unused leave. The Authority has allowed unused sick time to be accumulated to a maximum of 120 days per employee. Up to one half of accumulated sick days may be paid upon disability or retirement or compensating time-off may be taken.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 2 - Deposits, cash equivalents, and investments

Cash and cash equivalents include petty cash, change funds, cash and certificates of deposit in banks. As of December 31, 2023 and 2022, the Authority had no investments.

New Jersey Governmental Units are required by N.J.S.A. 40A:5-14 to deposit public funds in a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States or of the State of New Jersey or in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey Governmental Units. In addition, other state statutes permit investments in obligations issued by local authorities and other state agencies. The State of New Jersey does not place any limit on the amount that the Authority may invest with any one issuer.

New Jersey Governmental Units are limited as to the types of investments and types of financial institutions they may invest in. New Jersey Statute 18A:20-37 provides a list of permissible investments that may be purchased by New Jersey Governmental Units.

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 saving banks the deposits of which are federally insured.

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. The Authority does not have a policy for custodial credit risk. New Jersey statutes require cash be deposited only in New Jersey based banking institutions that participate in the New Jersey Governmental Unit Deposit Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. Under the act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, employee salary withholdings, or funds that may pass to the Authority relative to the happening of a future condition.

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

| | 2023 | 2022 |
|------------------------------|--------------|--------------|
| Deposits Insured by the FDIC | \$ 282,027 | \$ 289,101 |
| Deposits Insured by GUDPA | 858,482 | 1,644,683 |
| Total bank balances | \$ 1,140,509 | \$ 1,933,784 |

The Authority's carrying (Statements of Net Position) amounts were \$1,130,396 and \$1,926,737 for December 31, 2023 and 2022, respectively.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 3 - Authority revenues

Sewer charges and reserve capacity fees are charged on a rate as approved annually by the governing body. Bills are payable in quarterly installments and delinquent accounts may be included as part of the Township of Clinton's annual tax sale.

Connection fees

The Authority receives payments for connection fees when new users connect to the sewer system. The Authority does not supply the user with supplies or services to make the physical connection and is therefore considered a non-exchange transaction. The Authority recognizes the revenue in the period that the user connects to the system.

Note 4 - Pension plans

Public employees' retirement systems (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 PERS, please refer to Division's Annual Comprehensive Financial Report (ACFR) which can be found at www.state.nj.us/treasury/pensions/annual-reports.shtml.

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

The following represents the membership Tiers for PERS:

| Tier | Definition |
|------|--|
| 1 | Members enrolled prior to July 1, 2007. |
| 2 | Members eligible to enroll on or after July 1, 2007 and prior to November 2, 2008. |
| 3 | Members eligible to enroll on or after November 2, 2008 and prior to May 22, 2010. |
| 4 | Members eligible to enroll on or after May 22, 2010 and prior to June 28, 2011. |
| 5 | Members 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 Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, 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.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)

Public employees' retirement systems (PERS) (continued)

Allocation methodology and reconciliation to financial statements

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, requires participating employers in PERS to recognize their proportionate share of the collective net pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense. The employer and nonemployer allocation percentages presented in the schedule of employer and nonemployer allocations and applied to amounts presented in the schedule of pension amounts by employer and nonemployer are based on the ratio of the contributions of an individual employer to the total contributions to PERS during the measurement period July 1, 2022 through June 30, 2023. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of pension amounts by employer and nonemployer may result in immaterial differences. Contributions from employers are recognized when due, based on statutory requirements.

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

To facilitate the separate (sub) actuarial valuations, the Division maintains separate accounts to identify additions, deductions, and fiduciary net position applicable to each group. The allocation percentages presented for each group in the Schedule of Employer Allocations are applied to amounts presented in the Schedules of Pension Amounts by Employer. The allocation percentages for each group as of the Plan measurement date June 30, 2023, are based on the ratio of each employer's contributions to total employer contributions of the group for the State fiscal year ended June 30, 2023.

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the state. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for non-contributory group insurance benefits is based on actual claims paid. For State fiscal year 2023, the State's pension contribution was less than the actuarial determined amount.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)
Public employees' retirement systems (PERS) (continued)
Contributions (continued)

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

The contribution rate was 7.50% of base salary effective July 1, 2019.

Two-year trend information for PERS:

| Year Funded | Annual Contribution | |
|-------------|---------------------|----------|
| | Authority | Employee |
| 2023 | \$ 21,390 | \$ 9,825 |
| 2022 | 19,866 | 9,112 |

Collective net pension liability and actuarial information

The Authority's proportionate share of the net pension liability for PERS as of the Plan measurement date of June 30, 2023 and 2022 are as follows:

| | 2023 | 2022 |
|-----------------------|---------------|---------------|
| Net pension liability | \$ 231,810 | \$ 237,743 |
| Proportionate share | 0.0016004143% | 0.0009823961% |

| | | |
|--|--------|--------|
| Plan fiduciary net position as a percentage of the total pension liability | 65.23% | 62.91% |
|--|--------|--------|

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 was rolled forward to June 30, 2023. This actuarial valuation used the following actuarial assumptions:

| | |
|--|---------------|
| Inflation rate | |
| Price | 2.75% |
| Wage | 3.25% |
| Salary increases (based on years of service) | 2.75% - 6.55% |
| Investment rate of return | 7.00% |

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)
Public employees' retirement systems (PERS) (continued)
Actuarial assumptions (continued)

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 is based on Scale MP-2021.

The actuarial assumptions used in the July 1, 2022 valuation was based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long-term expected 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 Investment 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, plan measurement date, are summarized in the following table:

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)
Public employees' retirement systems (PERS) (continued)
Long-term expected rate of return (continued)

| <u>Asset Class</u> | <u>Target Allocations</u> | <u>Long-Term Expected Rate of Return</u> |
|-----------------------------------|---------------------------|--|
| U.S. equity | 28.00% | 8.98% |
| Non-U.S. developed markets equity | 12.75% | 9.22% |
| International small cap equity | 1.25% | 9.22% |
| Emerging markets equity | 5.50% | 11.13% |
| Private equity | 13.00% | 12.50% |
| Real estate | 8.00% | 8.58% |
| Real assets | 3.00% | 8.40% |
| High yield | 4.50% | 6.97% |
| Private credit | 8.00% | 9.20% |
| Investment grade credit | 7.00% | 5.19% |
| Cash equivalents | 2.00% | 3.31% |
| U.S. Treasuries | 4.00% | 3.31% |
| Risk management strategies | 3.00% | 6.21% |

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 will be based on 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.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)

Public employees' retirement systems (PERS) (continued)

Sensitivity of the collective net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the collective net pension liability as of the Plan measurement date of June 30, 2023 and 2022 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% point lower or 1% point higher than the current rate:

| <u>Authority's proportionate share of the net pension liability</u> | 2023 |
|---|------------|
| At current discount rate (7.00%) | \$ 231,810 |
| At a 1% lower rate (6.00%) | 304,311 |
| At a 1% higher rate (8.00%) | 173,719 |

| <u>Authority's proportionate share of the net pension liability</u> | 2022 |
|---|------------|
| At current discount rate (7.00%) | \$ 237,743 |
| At a 1% lower rate (6.00%) | 308,017 |
| At a 1% higher rate (8.00%) | 181,664 |

Collective deferred outflows of resources and deferred inflows of resources

At the plan measurement date of June 30, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

| | 2023 | | 2022 | |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| | Deferred Outflows of Resources | Deferred Inflows of Resources | Deferred Outflows of Resources | Deferred Inflows of Resources |
| Differences between expected and actual experience | \$ 2,216 | \$ 948 | \$ 1,716 | \$ 1,513 |
| Changes of assumptions | 509 | 14,049 | 737 | 35,600 |
| Net difference between projected and actual earnings on pension plan investments | 1,068 | - | 9,840 | - |
| Changes in proportion and differences between Authority contributions and proportionate share of contributions | 73,220 | - | 94,803 | - |
| Total | \$ 77,013 | \$ 14,997 | \$ 107,096 | \$ 37,113 |

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)

Public employees' retirement systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

The following presents a summary of changes in the collective deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) for the year ended June 30, 2023 and 2022 measurement date:

| <u>June 30, 2023</u> | <u>Beginning Balance</u> | <u>Net Change</u> | <u>Ending Balance</u> |
|---|------------------------------|-------------------|---------------------------|
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 1,716 | \$ 500 | \$ 2,216 |
| Changes of assumptions | 737 | (228) | 509 |
| Differences between projected and actual investment earnings on pension plan investments | 9,840 | (8,772) | 1,068 |
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | (1,513) | 565 | (948) |
| Changes of assumptions | (35,600) | 21,551 | (14,049) |
| Net changes in deferred outflows (inflows) of resources | <u>\$ (24,820)</u> | <u>\$ 13,616</u> | <u>\$ (11,204)</u> |
| | | | |
| <u>June 30, 2022</u> | <u>Beginning Balance</u> | <u>Net Change</u> | <u>Ending Balance</u> |
| Deferred outflows of resources | | | |
| Differences between expected and actual experience | \$ 1,835 | \$ (119) | \$ 1,716 |
| Changes of assumptions | 606 | 131 | 737 |
| Differences between projected and actual investment earnings on pension plan investments | - | 9,840 | 9,840 |
| Deferred inflows of resources | | | |
| Differences between expected and actual experience | (833) | (680) | (1,513) |
| Changes of assumptions | (41,432) | 5,832 | (35,600) |
| Differences between projected and actual investment earnings on pension plan investments | (30,657) | 30,657 | - |
| Net changes in deferred outflows (inflows) of resources | <u>\$ (70,481)</u> | <u>\$ 45,661</u> | <u>\$ (24,820)</u> |

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 4 - Pension plans (continued)

Public employees' retirement systems (PERS) (continued)

Collective deferred outflows of resources and deferred inflows of resources (continued)

Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense as follows:

| | 2023 | | 2022 |
|-------|-------------|-------|-------------|
| 2024 | \$ (12,240) | 2023 | \$ (20,393) |
| 2025 | (6,831) | 2024 | (10,390) |
| 2026 | 9,546 | 2025 | (5,067) |
| 2027 | (1,708) | 2026 | 11,054 |
| 2028 | 29 | 2027 | (24) |
| Total | \$ (11,204) | Total | \$ (24,820) |

Pension expense

The components of allocable pension expense (benefit), which exclude pension expense (benefit) related to specific liabilities of individual employers, for the Authority for the Plan measurement of June 30, 2023 and 2022, are as follows:

| | 2023 | 2022 |
|---|------------|-------------|
| Service cost | \$ 19,397 | \$ 11,461 |
| Interest on total pension liability | 73,249 | 45,962 |
| Benefit changes | - | 133 |
| Member contributions | (15,643) | (9,557) |
| Administrative expense | 342 | 205 |
| Expected investment return net of investment expense | (43,177) | (30,681) |
| Pension expense related to specific liabilities of individual employers | (288) | (165) |
| Recognition of deferred inflows/outflows of resources | | |
| Amortization of expected versus actual experience | 1,264 | 544 |
| Amortization of assumption changes or inputs | (35,370) | (34,357) |
| Amortization of projected versus actual investment earnings on pension plan investments | (2,111) | (763) |
| Pension expense (benefit) | \$ (2,337) | \$ (17,218) |

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 5 - Capital assets

A summary of changes in capital assets and accumulated depreciation and amortization is as follows:

| <u>December 31, 2023</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balance</u> |
|--|------------------------------|-------------------|------------------|---------------------------|
| Sewer distribution system | | | | |
| Contributed | \$ 6,683,053 | \$ - | \$ - | \$ 6,683,053 |
| Constructed | 5,882,115 | - | - | 5,882,115 |
| Construction in progress | 162,533 | 676,362 | - | 838,895 |
| Maintenance equipment | 385,006 | 93,797 | 5,310 | 473,493 |
| Office equipment/furniture | 45,480 | - | 12,447 | 33,033 |
| Right-to-use | 49,445 | - | - | 49,445 |
| Sewer capacity purchased | 300,000 | - | - | 300,000 |
| Total capital assets | 13,507,632 | 770,159 | 17,757 | 14,260,034 |
| Accumulated depreciation and amortization | (4,790,395) | (314,509) | (17,757) | (5,087,147) |
| Capital assets, net | <u>\$ 8,717,237</u> | <u>\$ 455,650</u> | <u>\$ -</u> | <u>\$ 9,172,887</u> |
| | | | | |
| <u>December 31, 2022</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Disposals</u> | <u>Ending Balance</u> |
| Sewer distribution system | | | | |
| Contributed | \$ 6,683,053 | \$ - | \$ - | \$ 6,683,053 |
| Constructed | 5,882,115 | - | - | 5,882,115 |
| Construction in progress | 83,107 | 149,286 | 69,860 | 162,533 |
| Maintenance equipment | 289,768 | 112,942 | 17,704 | 385,006 |
| Vehicles | 45,480 | - | - | 45,480 |
| Office equipment/furniture | - | 49,445 | - | 49,445 |
| Sewer capacity purchased | 300,000 | - | - | 300,000 |
| Total capital assets | 13,283,523 | 311,673 | 87,564 | 13,507,632 |
| Accumulated depreciation and amortization | (4,510,016) | (298,083) | (17,704) | (4,790,395) |
| Capital assets, net | <u>\$ 8,773,507</u> | <u>\$ 13,590</u> | <u>\$ 69,860</u> | <u>\$ 8,717,237</u> |

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 6 - Long-term liabilities

Long-term liability activity for the year ended December 31, 2023 and 2022 is as follows:

| <u>December 31, 2023</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reduction</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|------------------|-------------------|---------------------------|--------------------------------|
| Net pension liability | \$ 237,743 | \$ - | \$ 5,933 | \$ 231,810 | \$ - |
| Lease payable | 39,805 | - | 9,766 | 30,039 | 10,202 |
| NJ Environmental Infrastructure Trust | | | | | |
| 2004 interest free loan | 13,619 | - | 13,619 | - | - |
| 2006 loan | 40,000 | - | 20,000 | 20,000 | 20,000 |
| 2010 interest free loan | 182,131 | - | 40,186 | 141,945 | 38,542 |
| 2011 loan | 340,000 | - | 50,000 | 290,000 | 50,000 |
| Total | \$ 853,298 | \$ - | \$ 139,504 | \$ 713,794 | \$ 118,744 |

| <u>December 31, 2022</u> | <u>Beginning Balance</u> | <u>Additions</u> | <u>Reduction</u> | <u>Ending Balance</u> | <u>Due Within One Year</u> |
|--|------------------------------|-------------------|-------------------|---------------------------|--------------------------------|
| Net pension liability | \$ 116,380 | \$ 121,363 | \$ - | \$ 237,743 | \$ - |
| Lease payable | - | 49,445 | 9,640 | 39,805 | 9,766 |
| NJ Environmental Infrastructure Trust | | | | | |
| 2004 interest free loan | 28,308 | - | 14,689 | 13,619 | 13,619 |
| 2006 loan | 60,000 | - | 20,000 | 40,000 | 20,000 |
| 2010 interest free loan | 220,808 | - | 38,677 | 182,131 | 40,185 |
| 2011 loan | 385,000 | - | 45,000 | 340,000 | 50,000 |
| Total | \$ 810,496 | \$ 170,808 | \$ 128,006 | \$ 853,298 | \$ 133,570 |

The annual requirements to amortize long-term debt are listed as follows:

| <u>Year ended December 31,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|--------------------------------|-------------------|------------------|-------------------|
| 2024 | \$ 108,542 | \$ 15,375 | \$ 123,917 |
| 2025 | 95,036 | 12,000 | 107,036 |
| 2026 | 101,381 | 9,250 | 110,631 |
| 2027 | 81,987 | 6,250 | 88,237 |
| 2028 | 65,000 | 3,250 | 68,250 |
| | \$ 451,946 | \$ 46,125 | \$ 498,071 |

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 6 - Long-term liabilities (continued)

Outstanding loan balances due to the NJ Environmental Infrastructure Trust are comprised of the following as of December 31,

| | 2023 | 2022 |
|---|------------|------------|
| \$265,000 loan due in annual installments of \$10,000 to \$20,000 beginning August 1, 2006 through August 1, 2024, interest from 3.00% to 4.375%. | \$ 20,000 | \$ 40,000 |
| \$255,057 interest free loan due in annual installments of \$6,519.36 to \$15,335.84 beginning August 1, 2005 through August 1, 2023. | - | 13,619 |
| \$795,000 loan due in annual installments of \$25,000 to \$65,000 beginning August 1, 2011 through August 1, 2028, interest from 5.00% to 5.25%. | 290,000 | 340,000 |
| \$697,714 interest free loan due in annual installments of \$38,482 to \$41,381 beginning February 1, 2010 through August 1, 2027. | 141,945 | 182,131 |
| | \$ 451,945 | \$ 575,750 |

Leases payable - Leases payable with their outstanding balances are comprised of the following:

| December 31, | Principal | Interest | Total |
|--------------|-----------|----------|-----------|
| 2024 | \$ 10,202 | \$ 348 | \$ 10,550 |
| 2025 | 10,645 | 205 | 10,850 |
| 2026 | 9,192 | 58 | 9,250 |
| Total | \$ 30,039 | \$ 611 | \$ 30,650 |

| | 2023 | 2022 |
|--|-----------|-----------|
| \$51,100 - Lease commencing November 1, 2021, 1.37% interest, due in annual installments beginning January 1, 2022 to December 31, 2026. | \$ 30,039 | \$ 39,805 |

Note 7 - Compensated absences

Upon retirement, if present employees were eligible for this benefit at December 31, 2023, and 2022, the compensated absences liability to the Authority would be approximately \$21,130 and \$17,792 respectively.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Financial Statements

Note 8 - Risk management

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

Property and Liability Insurance - Risks of losses from worker’s compensation, property, automobile, and public official’s liability are covered by insurance with New Jersey Utilities Authorities Joint Insurance Fund, plus separate policies for employee bonds and official’s liability. Significant losses are covered by commercial insurance and there have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current or the three prior years.

New Jersey Unemployment Compensation Insurance - The Authority has elected to fund its NJ Unemployment Compensation Insurance under the Benefit Reimbursement Method. Under this Plan, the Authority is required to reimburse the NJ Unemployment Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State. The following is a summary of Authority contributions, and interest earnings, employee contributions, reimbursements to the State for benefits paid and the ending balance of the Authority’s Unemployment Fund:

| <u>Fiscal Year</u> | <u>Authority Deposits</u> | <u>Interest Earnings</u> | <u>Employee Deposits</u> | <u>Amount Reimbursed</u> | <u>Ending Balance</u> |
|--------------------|-------------------------------|------------------------------|------------------------------|------------------------------|---------------------------|
| 2023 | \$ - | \$ 125 | \$ - | \$ - | \$ 6,295 |
| 2022 | - | 13 | - | - | 6,170 |
| 2021 | - | 4 | - | - | 6,157 |

Note 9 - Litigation

The Authority is involved with various litigation matters. The attorneys’ letter did not indicate any litigation, claims, or contingent liabilities that are either not covered by the Authority’s insurance carrier or would have a material financial impact on the Authority.

Note 10 - Construction loan payable and New Jersey Infrastructure Bank receivable

On August 22, 2023, the Authority entered into a short-term construction loan agreement with the New Jersey Infrastructure Bank not to exceed \$2,000,000. Interest is charged at a rate of 3.86%. Proceeds from the loan are received through drawdowns. As of December 31, 2023, the balance available to drawdown was \$634,066 and is recorded as a receivable and corresponding liability on the balance sheet.

Note 11 - Subsequent events

The Authority’s Management has evaluated subsequent events through July 2, 2024, which is the date the financial statements were available to be issued and no additional items were noted for disclosure.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees Retirement System
Last Ten Years
Unaudited

| | Year Ending December 31, | | | | | | | | | |
|--|--------------------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|---------------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Authority's proportion of the net pension liability | 0.0016004143% | 0.0015753566% | 0.0009823961% | 0.0009742680% | 0.0009569187% | 0.0009326600% | 0.0009166734% | 0.0008721437% | 0.0007973417% | 0.0007085277% |
| Authority's proportion of the net pension liability | \$ 231,810 | \$ 237,743 | \$ 116,380 | \$ 158,878 | \$ 172,422 | \$ 183,637 | \$ 213,387 | \$ 258,304 | \$ 178,987 | \$ 132,656 |
| Authority's covered employee payroll | 131,000 | 121,500 | 115,600 | 80,333 | 70,500 | 68,000 | 65,500 | 63,500 | 60,000 | 55,000 |
| Authority's proportionate share of the net pension liability as a percentage of its covered employee payroll | 176.95% | 195.67% | 100.67% | 197.77% | 244.57% | 270.05% | 325.78% | 406.78% | 298.31% | 241.19% |
| Plan fiduciary net position as a percentage of the total pension liability | 65.23% | 62.91% | 70.33% | 58.32% | 56.27% | 53.60% | 48.10% | 40.14% | 47.93% | 52.08% |

See independent auditors' report.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Schedule of the Authority's Contributions to the
Public Employees Retirement System
Last Ten Years
Unaudited

| | Year Ending December 31, | | | | | | | | | |
|--|--------------------------|------------|------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 | 2017 | 2016 | 2015 | 2014 |
| Contractually required contributions | \$ 21,390 | \$ 19,866 | \$ 11,505 | \$ 10,658 | \$ 9,308 | \$ 9,277 | \$ 8,492 | \$ 7,748 | \$ 6,855 | \$ 5,841 |
| Contributions in relation to the contractually required contribution | 21,390 | 19,866 | 11,505 | 10,658 | 9,308 | 9,277 | 8,492 | 7,748 | 6,855 | 5,841 |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Authority's covered employee payroll | \$ 131,000 | \$ 121,500 | \$ 115,600 | \$ 80,333 | \$ 70,500 | \$ 68,000 | \$ 65,500 | \$ 63,500 | \$ 60,000 | \$ 55,000 |
| Contributions as a percentage of covered employee payroll | 16.33% | 16.35% | 9.95% | 13.27% | 13.20% | 13.64% | 12.96% | 12.20% | 11.43% | 10.62% |

See independent auditors' report.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Notes to the Required Supplementary Information
(Unaudited)
December 31, 2023

Note 1 - Changes in benefit term assumptions - pension

There were no changes in benefit terms.

Note 2 - Changes in assumptions - pension

The discount rate used to measure the total pension liability was 7.00% as of the June 30, 2023 plan measurement date and 7.00% as of the June 30, 2022 plan measurement date. The blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and 7.00% for the respective plan measurement dates of June 30, 2023 and June 30, 2022. Municipal bond rates were 3.65% and 3.54% for the respective plan measurement dates of June 30, 2023 and June 30, 2022.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Schedule of Budgetary Comparison Information
For the Years Ended

| | December 31, 2023 | | December 31, 2022 | |
|-------------------------------------|---------------------|---------------------|---------------------|---------------------|
| | Unaudited Budget | Actual | Unaudited Budget | Actual |
| Revenues | | | | |
| Net position appropriated | \$ 128,820 | \$ 128,820 | \$ 43,716 | \$ 43,716 |
| Operating revenues | | | | |
| User charges and fees | 1,339,200 | 1,350,889 | 1,289,600 | 1,266,531 |
| Late charges and fees | 10,000 | 14,667 | 5,000 | 18,415 |
| Interest income | - | 59,001 | - | 2,526 |
| Connection fees | - | 80,365 | - | 26,212 |
| NJEIT (NJIB) credit | 10,000 | 9,866 | - | 8,885 |
| Miscellaneous | - | - | - | 745,962 |
| Total operating revenues | 1,359,200 | 1,514,788 | 1,294,600 | 2,068,531 |
| Total revenues | \$ 1,488,020 | \$ 1,643,608 | \$ 1,338,316 | \$ 2,112,247 |
| Expenses | | | | |
| Administrative and general | | | | |
| Salaries and wages | \$ 142,575 | \$ 137,309 | \$ 133,000 | \$ 130,321 |
| Public Employee's Retirement System | 19,866 | 19,866 | 10,000 | 11,505 |
| Pension net liability - GASB 68 | - | 2,034 | - | (11,056) |
| Payroll taxes | 11,000 | 11,163 | 10,200 | 12,733 |
| Unemployment compensation | 100 | - | 100 | - |
| Health insurance | 28,000 | 28,498 | 28,000 | 18,196 |
| Dental insurance | 1,100 | 1,444 | 1,100 | 988 |
| Legal fees | 60,000 | 107,214 | 60,000 | 38,805 |
| Engineering fees | 20,000 | 32,687 | 20,000 | 55,525 |
| Auditing and accounting fees | 22,600 | 19,600 | 21,600 | 18,600 |
| Insurance | 13,200 | 11,784 | 12,000 | 12,692 |
| Office supplies and expenses | 1,500 | 3,706 | 1,500 | 1,529 |
| Postage | 3,000 | 2,724 | 2,500 | 3,694 |
| Computer expenses | 7,800 | 11,532 | 3,000 | 9,598 |
| Director's fees | 6,100 | 6,100 | 6,100 | 6,100 |
| Telephone | 9,000 | 11,392 | 8,000 | 10,783 |
| Rent | 10,500 | 10,250 | 10,200 | 10,200 |

See independent auditors' report.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Schedule of Budgetary Comparison Information (continued)
For the Years Ended

| | December 31, 2023 | | December 31, 2022 | |
|--|---------------------|---------------------|---------------------|---------------------|
| | Unaudited | | Unaudited | |
| | Budget | Actual | Budget | Actual |
| Expenses (continued) | | | | |
| Administrative and general (continued) | | | | |
| Education | \$ 2,000 | \$ 2,009 | \$ 2,000 | \$ 1,337 |
| Advertising | 500 | 503 | 500 | 360 |
| Debt service administrative fee | 3,200 | 3,180 | 3,200 | 3,181 |
| Miscellaneous - contingency | 1,000 | 600 | 1,000 | 13,931 |
| Total administrative and general | <u>363,041</u> | <u>423,595</u> | <u>334,000</u> | <u>349,022</u> |
| Cost of providing services | | | | |
| Capacity reserve - Deer Meadow | 2,100 | 3,069 | 2,100 | 2,046 |
| Repairs and maintenance supplies | 20,000 | 920 | 20,000 | 24,831 |
| Electric | 33,000 | 31,519 | 30,000 | 36,282 |
| Water service | 1,600 | 1,387 | 1,600 | 1,387 |
| Treatment cost | 675,000 | 679,297 | 575,000 | 621,165 |
| Calibration | 7,000 | 7,952 | 7,000 | 4,774 |
| Maintenance labor - operator | 165,000 | 151,555 | 165,000 | 143,113 |
| Maintenance labor - contracted | 75,000 | 45,578 | 59,500 | 84,405 |
| Travel | 1,500 | 3,227 | 1,500 | 2,345 |
| NJ on-call | 2,000 | 2,800 | 1,800 | 2,217 |
| Total cost of providing services | <u>982,200</u> | <u>927,304</u> | <u>863,500</u> | <u>922,565</u> |
| Debt service | | | | |
| Principal | 123,804 | 123,804 | 118,366 | 118,366 |
| Interest | 18,975 | 18,975 | 22,450 | 22,450 |
| Total debt service | <u>142,779</u> | <u>142,779</u> | <u>140,816</u> | <u>140,816</u> |
| Total expenses | <u>\$ 1,488,020</u> | <u>\$ 1,493,678</u> | <u>\$ 1,338,316</u> | <u>\$ 1,412,403</u> |

See independent auditors' report.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Schedule of Changes in Restricted Assets
For the Year Ended December 31, 2023

| | Restricted Liabilities | Restricted Net Position | | | Total |
|---|-------------------------|------------------------------------|----------------------------|-------------------------------------|-------------------|
| | Developer's Deposits | State Unemployment Insurance | Renewals & Replacements | Total Restricted Net Position | |
| Balance at beginning of year | \$ 41,305 | \$ 6,170 | \$ 653,516 | \$ 659,686 | \$ 700,991 |
| Additions | | | | | |
| Interest income | 13 | 125 | - | 125 | 138 |
| Deposits received | 17,130 | - | - | - | 17,130 |
| Total additions | <u>17,143</u> | <u>125</u> | <u>-</u> | <u>125</u> | <u>17,268</u> |
| Deductions | | | | | |
| Capital projects and current year expenditures | - | - | 93,797 | 93,797 | 93,797 |
| Developer's fees | 24,217 | - | - | - | 24,217 |
| Total deductions | <u>24,217</u> | <u>-</u> | <u>93,797</u> | <u>93,797</u> | <u>118,014</u> |
| Balance at end of year | <u>\$ 34,231</u> | <u>\$ 6,295</u> | <u>\$ 559,719</u> | <u>\$ 566,014</u> | <u>\$ 600,245</u> |

See independent auditors' report.



Certified Public Accountants, PC
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**Independent Auditors' Report on Internal Control Over Financial Reporting and on
Compliance and Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

Honorable Chairman and Members of the
Clinton Township Sewerage Authority
Clinton Township, Hunterdon County, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the business-type activities of the Clinton Township Sewerage Authority, as of and for the year ended December 31, 2023, and the related Notes to the Financial Statements, which collectively comprise Clinton Township Sewerage Authority's basic financial statements, and have issued our report thereon dated July 2, 2024.

Report on Internal Control Over Financial Reporting

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

A *deficiency in internal control* exists when the design or operation of a control does not allow Management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did identify deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying Schedule of Findings and Questioned Costs as item 2023-01 that we consider to be a significant deficiency.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Clinton Township Sewerage Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, and contracts, 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 that are required to be reported under *Government Auditing Standards*.

Clinton Township Sewerage Authority's Responses to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Authority's response to the findings identified in our audit is described in the accompanying Schedule of Findings and Questioned Costs. The Authority's response was not subject 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 compliance. The report is an integral part of any 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.



BKC, CPAs, PC

July 2, 2024
Flemington, New Jersey

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Schedule of Findings and Responses

Finding 2023-01

Criteria

The accounts receivable accounting system should provide accurate and adequate reporting to meet the processing needs of the Authority.

Condition

The accounts receivable accounting system does not provide accurate and adequate reporting to meet the processing needs of the Authority. Additionally, the vendor is not in compliance with the requirements that vendors must be registered in the State of New Jersey to do business with New Jersey governmental entities.

Context

The accounts receivable accounting system does not provide accurate and adequate reporting to meet the processing needs of the Authority.

Cause

The accounts receivable accounting system does not provide accurate and adequate reporting. to meet the processing needs of the Authority.

Effect

The accounts receivable accounting system does not provide accurate and adequate reporting to meet the processing needs of the Authority.

Recommendation

The Authority should consider changing accounts receivable accounting systems.

Views of Responsible Officials and Planned Corrective Action (unaudited)

The responsible officials agree with the finding and will address the matter as part of their corrective action plan.

Status of Prior Year's Audit Findings/Recommendations

In accordance with government auditing standards, our procedures included a review of all prior year recommendations including findings. Corrective action has not been taken on finding 2022-01.

CLINTON TOWNSHIP SEWERAGE AUTHORITY
Schedule of Findings and Responses

We would be pleased to confer on questions that might arise with respect to any matters in this report.

We wish to express our appreciation for the assistance and courtesies rendered by the Authority officials and employees during the course of the examination.



BKC, CPAs, PC

See independent auditors' report.