

Financial Report

of

**The Township of Hillsborough
Municipal Utilities Authority**

For the Years Ended November 30, 2022 and 2021

Prepared By

The Township of Hillsborough Municipal Utilities Authority

Finance Department

**THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY**

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**THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY**

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FINANCIAL SECTION



SUPLEE, CLOONEY & COMPANY

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INDEPENDENT AUDITOR'S REPORT

The Township of Hillsborough
Municipal Utilities Authority
220 Triangle Road - Suite 234
Hillsborough, New Jersey 08844

Report on the Financial Statements

We have audited the accompanying financial statements of the Township of Hillsborough Municipal Utilities Authority, which comprise the statements of net position as of and for the years ended November 30, 2022 and 2021, and the related statements of revenues, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective net position of the Township of Hillsborough Municipal Utilities Authority, as of November 30, 2022 and 2021, and the changes in its net position and cash flows for the years 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 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 Township of Hillsborough Municipal Utilities 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, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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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 Township of Hillsborough Municipal Utilities Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 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 generally accepted auditing standards 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 Township of Hillsborough Municipal Utilities 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 Township of Hillsborough Municipal Utilities 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 analysis and the schedules related to accounting, reporting for pensions in Schedule R-1 through R-3, and the schedule related to accounting and reporting for postretirement benefits other than pensions (OPEB) in Schedule S-1 through S-3 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

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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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 27, 2023 on our consideration of the Township of Hillsborough Municipal Utilities 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 Township of Hillsborough Municipal Utilities Authority's internal control over financial reporting and compliance.

September 27, 2023





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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 BASIC FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

The Township of Hillsborough
Municipal Utilities Authority
220 Triangle Road - Suite 234
Hillsborough, New Jersey 08844

We have audited, in accordance with the auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Township of Hillsborough Municipal Utilities Authority as of and for the year ended November 30, 2022, and the related notes to the financial statements, which collectively comprise the Township of Hillsborough Municipal Utilities Authority's financial statements, and have issued our report thereon dated September 27, 2023.

Internal Control Over Financial Reporting

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

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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.

Compliance and Other Matters

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

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the 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.

September 27, 2023



MANAGEMENT DISCUSSION AND ANALYSIS

Management's Discussion and Analysis **Unaudited**

In this section of the annual report, management of The Township of Hillsborough Municipal Utilities Authority (the "Authority") presents a narrative discussion and analysis of the Authority's financial activities for the years ended November 30, 2022 and 2021. This section of the report should be read in conjunction with the Authority's audited financial statements and supplementary information for the years ended November 30, 2022 and 2021. The Authority's audited financial statements are presented in conformity with U.S. generally accepted accounting principles.

Financial Highlights

Total assets and Deferred Outflows of Resources at year-end totaled \$20.3 million largely comprised of investments and fixed assets. This represents a increase of \$384.0 thousand over the prior year. Total Liabilities and Deferred Inflows of Resources total \$10.4 million comprised of Net Pension Liability of \$2.5 million and a Net OPEB Liability of \$4.1 million. This is a net increase of \$297 thousand from the prior year. Working capital balances are adequate to meet the operational needs of the Authority.

Operating Revenues totaled \$6.5 million, an decrease of 7.9% from the prior year. Operating Expenses totaled \$6.7 million a decrease of 2.4% from the prior year. Revenues are generated largely from sewer service charges and connection charges. The largest operating expense are the costs related to sewerage treatment.

Cash and Investments total \$7.3 million a decrease of \$908 thousand over the prior year's total of \$8.9 million.

Overview of Annual Financial Report

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

The financial statements report information about the Authority using full accrual accounting methods as utilized by similar business activities in the private sector. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses and Changes to Net Position; a Statement of Cash Flows; and notes to the financial statements.

The Statement of Net Position presents the Assets, Liabilities, Deferred Inflows and Outflows of Resources and Total Net Position of the Authority on a historical cost basis. Over time, increases and decreases in the components of the Authority's Total Net Position are indicators of whether the financial position of the Authority is improving or deteriorating.

While the Statement of Net Position provides information about the nature and amount of resources and obligations at year-end, the Statement of Revenues, Expenses and Changes to Net Position presents the results of the business activities over the course of the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows.

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

The Government Accounting Standards Board (GASB) Statement 68 requires state and local governmental entities to disclose their unfunded pension liabilities. The Authority participates in the pension plan sponsored by the State of New Jersey, which has a publicized, large unfunded liability. Although the Authority is not responsible for making pension payments to employees when they retire, GASB 68 dictates that the pro-rata share represented by Authority employees participating in PERS (Public Employee Retirement System) be reported in the audited financial statements to promote better financial clarity. Understandably, the net pension liability of \$2,528,122, shown within non-current liabilities, is a significant amount at November 30, 2022.

The Government Accounting Standards Board (GASB) Statement 75 requires state and local governmental entities to disclose their unfunded OPEB (postretirement benefits other than pension) liabilities. The Authority participates in the state health benefits plan sponsored by the State of New Jersey, which has a publicized, large unfunded liability. Although the Authority is not responsible for making postretirement benefit payments to employees when they retire, GASB 75 dictates that the pro-rata share represented by Authority employees participating in SHBP (State Health Benefits Plan) be reported in the audited financial statements to promote better financial clarity. Understandably, the net OPEB liability of \$4,103,774, shown within non-current liabilities, is a significant amount at November 30, 2022.

The Notes to the Financial Statements provide required disclosures and other information that are essential to a full understanding of material data provided in the statements. The notes present information about the Authority's accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

Summary of Organization and Business

The Township of Hillsborough Municipal Utilities Authority is a public body politic and corporate, organized and existing under the County and Municipal Utility Authorities Law, constituting Chapter 183 of the P.L. of 1957 of the State of New Jersey approved August 22, 1957 and the acts amendatory thereof or supplemental thereto and was created by virtue of an ordinance of the Township Committee of the Township of Hillsborough in the County of Somerset, adopted on April 13, 1966.

The Authority was created for the purpose of providing sanitary sewer service to the Township of Hillsborough, New Jersey. The Authority currently maintains 181 miles of gravity sewer, 17 sewage pumping stations, and 14.6 miles of force main. The Authority has a service agreement with the Somerset-Raritan Valley Sewerage Authority for sanitary waste treatment.

Revenue is provided primarily from annual service charges collected from customers using the system and initial connection fees.

Contacting the Authority's Management

Any questions about the Authority's report or if additional information is needed, please contact the Executive Director of The Township of Hillsborough Municipal Utilities Authority, 220 Triangle Road, Suite 234, Hillsborough, New Jersey 08844.

Financial Analysis

The following comparative condensed financial statements and other selected information serve as key financial data and indicators for management, monitoring and planning.

Condensed Financial Statements

Condensed Statement of Net Position

	<u>2022</u>	<u>2021</u>	<u>Net Change</u>	<u>%</u>	<u>2020</u>
<u>Assets</u>					
Current Assets	\$ 7,274,104	\$ 8,182,200	\$ (908,096)	-11.1%	\$ 8,376,188
Fixed Assets	10,097,920	9,448,240	649,680	6.9%	9,065,884
Right of Use Asset	314,264	-	314,264	100.0%	-
Deferred Outflows of Resources	<u>2,621,439</u>	<u>2,293,226</u>	<u>328,213</u>	<u>14.3%</u>	<u>2,147,944</u>
Total Assets and Deferred Outflows of Resources	<u>\$ 20,307,727</u>	<u>\$ 19,923,666</u>	<u>\$ 384,061</u>	<u>1.9%</u>	<u>\$ 19,590,016</u>
<u>Liabilities</u>					
Current Liabilities	\$ 648,351	\$ 437,237	\$ 211,114	48.3%	\$ 390,478
Right of Use Liability- Long term	241,634	-	241,634	0.0%	-
Net Pension Liability	2,528,122	1,730,216	797,906	46.1%	1,933,230
Net OPEB Liability	<u>4,103,774</u>	<u>4,604,524</u>	<u>(500,750)</u>	<u>-10.9%</u>	<u>4,650,326</u>
Total Liabilities	<u>7,521,881</u>	<u>6,771,977</u>	<u>749,904</u>	<u>11.1%</u>	<u>6,974,034</u>
Deferred Inflows of Resources	<u>2,859,482</u>	<u>3,246,459</u>	<u>(386,977)</u>	<u>-11.9%</u>	<u>3,188,371</u>
<u>Net Position</u>					
Net Investment in Capital Assets Unrestricted	10,097,920 <u>(171,556)</u>	9,449,618 <u>455,612</u>	648,302 <u>(627,168)</u>	6.9% <u>-137.7%</u>	9,067,259 <u>360,352</u>
Total Net Position	<u>9,926,364</u>	<u>9,905,230</u>	<u>21,134</u>	<u>0.2%</u>	<u>9,427,611</u>
Total Liabilities, Deferred Inflows of Resources and Net Position	<u>\$ 20,307,727</u>	<u>\$ 19,923,666</u>	<u>\$ 384,061</u>	<u>1.9%</u>	<u>\$ 19,590,016</u>

Condensed Statement of Revenue, Expenses, and Changes in Net Position

	<u>2022</u>	<u>2021</u>	<u>Net Change</u>	<u>%</u>	<u>2020</u>
Operating Revenues	\$ 6,483,223	\$ 7,042,386	\$ (559,163)	-7.9%	\$ 6,964,850
Operating Expenses	<u>6,733,734</u>	<u>6,899,085</u>	<u>(165,351)</u>	<u>-2.4%</u>	<u>7,351,740</u>
Operating Income	(250,511)	143,301	(393,812)	-274.8%	(388,890)
Non Operating Revenues (Expenses)	<u>271,645</u>	<u>334,318</u>	<u>(62,673)</u>	<u>-18.7%</u>	<u>(11,336)</u>
Change in Net Position	21,134	477,619	(456,485)	-95.6%	(398,226)
Net Position, Beginning of Year	<u>9,905,230</u>	<u>9,427,611</u>	<u>477,619</u>	<u>5.1%</u>	<u>9,825,837</u>
Net Position, End of Year	<u>\$ 9,926,364</u>	<u>\$ 9,905,230</u>	<u>\$ 21,134</u>	<u>0.2%</u>	<u>\$ 9,427,611</u>

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FINANCIAL STATEMENTS

MUNICIPAL UTILITIES AUTHORITY
THE TOWNSHIP OF HILLSBOROUGH

STATEMENTS OF NET POSITION
NOVEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>ASSETS</u>		
Revenue Account:		
Cash	\$ 430,977	\$ 435,913
Investments	2,709,399	2,466,180
Accounts Receivable:		
Sewer Charges	301,208	282,090
Connection Charges	1,668	2,179
	<u>302,876</u>	<u>284,269</u>
General Account:		
Cash	8,771	-
Investments	3,335,366	4,507,405
Construction Account:		
Cash	1,382	1,378
Reserve for Debt Service		
Investments	325,754	324,941
Inspection Trust Account:		
Cash	<u>159,579</u>	<u>162,114</u>
	<u>7,274,104</u>	<u>8,182,200</u>
<u>TOTAL ASSETS</u>		
Fixed Assets:	29,906,885	28,736,229
Less: Accumulated Depreciation	<u>19,808,965</u>	<u>19,287,989</u>
Net Fixed Assets	10,097,920	9,448,240
Right to Use Asset	<u>314,264</u>	<u>-</u>
	<u>10,412,184</u>	<u>9,448,240</u>
<u>NET OTHER ASSETS</u>		
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension Related	1,110,934	724,884
OPEB Related	<u>1,510,505</u>	<u>1,568,342</u>
	<u>2,621,439</u>	<u>2,293,226</u>
<u>TOTAL DEFERRED OUTFLOWS OF RESOURCES</u>		
	<u>2,621,439</u>	<u>2,293,226</u>
<u>TOTAL ASSETS AND DEFERRED</u>		
<u>OUTFLOW OF RESOURCES</u>		
	<u>\$ 20,307,727</u>	<u>\$ 19,923,666</u>

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

MUNICIPAL UTILITIES AUTHORITY
THE TOWNSHIP OF HILLSBOROUGH

STATEMENTS OF NET POSITION
NOVEMBER 30, 2022 AND 2021

<u>LIABILITIES AND NET POSITION</u>	<u>2022</u>	<u>2021</u>
Current Liabilities:		
Accounts Payable	\$ 292,304	\$ 166,078
Payroll Deductions Payable	12,036	888
Overpayments-Service Charges	41,958	38,890
Miscellaneous Deposits	167,324	167,016
Accrued Vacation and Sick Pay	134,729	64,365
Lease Payable	62,516	-
	<hr/>	<hr/>
<u>TOTAL CURRENT LIABILITIES</u>	<u>710,867</u>	<u>437,237</u>
Noncurrent Liabilities:		
Lease Payable	179,118	-
Net Pension Liability	2,528,122	1,730,216
Net OPEB Liability	4,103,774	4,604,524
	<hr/>	<hr/>
Total Noncurrent Liabilities	<u>6,811,014</u>	<u>6,334,740</u>
	<hr/>	<hr/>
<u>TOTAL LIABILITIES</u>	<u>7,521,881</u>	<u>6,771,977</u>
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension Related	394,651	1,109,148
OPEB Related	2,464,831	2,137,311
	<hr/>	<hr/>
<u>TOTAL DEFERRED INFLOWS OF RESOURCES</u>	<u>2,859,482</u>	<u>3,246,459</u>
Net Position :		
Net Investment in Capital Assets	10,097,920	9,449,618
Unrestricted:		
Operating Cost	1,695,250	1,695,250
Reserve for Debt Service		324,941
System Replacement		1,495,000
Capital Improvements	5,003,133	5,400,000
Rate Stabilization		1,356,200
Operating	(6,869,939)	(9,815,779)
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<u>TOTAL NET POSITION</u>	<u>9,926,364</u>	<u>9,905,230</u>
	<hr/>	<hr/>
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</u>	<u>\$ 20,307,727</u>	<u>\$ 19,923,666</u>

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

MUNICIPAL UTILITIES AUTHORITY
THE TOWNSHIP OF HILLSBOROUGH

STATEMENTS OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
NOVEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
Operating Revenue:		
Sewer Service Charges	\$ 6,130,591	\$ 6,051,587
Connection Charges	139,934	885,725
Inspection Fees	12,200	19,752
Plan Review Fees	-	6,322
Other	138,834	16,998
Interest on Delinquent Accounts	61,664	62,002
<u>Total Operating Revenues</u>	<u>6,483,223</u>	<u>7,042,386</u>
Operating Expenses:		
Operating Costs	2,770,257	2,586,950
Sewerage Treatment	3,442,500	3,832,385
Depreciation Expense	520,977	479,750
<u>Total Operating Expenses</u>	<u>6,733,734</u>	<u>6,899,085</u>
<u>Operating Income</u>	(250,511)	143,301
Non-Operating Revenue (Expense):		
Interest Income	19,037	45,306
Interest Expense	(1,716)	
Pension Related	176,911	313,152
OPEB Related	4,783	1,124
Other	72,630	(25,264)
	<u>271,645</u>	<u>334,318</u>
<u>Change in Net Position</u>	21,134	477,619
Net Position, Beginning of Year	<u>9,905,230</u>	<u>9,427,611</u>
Net Position, End of Year	<u>\$ 9,926,364</u>	<u>\$ 9,905,230</u>

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

EXHIBIT "C"

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED NOVEMBER 30, 2022 AND 2021

	<u>2022</u>	<u>2021</u>
<u>Cash Flows from Operating Activities:</u>		
Receipts from Sewer Service Charges	\$ 6,114,541	\$ 6,179,380
Receipts from Connection Charges	140,445	889,147
Miscellaneous Receipts	212,698	43,072
Payments to Suppliers	(4,891,020)	(5,104,413)
Payments to Employees	(1,351,747)	(1,306,009)
<u>Net Cash Provided by Operating Activities</u>	<u>224,917</u>	<u>701,177</u>
<u>Cash Flows from Capital and Related Financing Activities:</u>		
Acquisition of Capital Assets	(1,170,656)	(862,106)
Right of Use- Asset	(314,264)	
Right of Use- Liability	241,634	
<u>Net Cash Used by Capital and Related Financing Activities</u>	<u>(1,243,286)</u>	<u>(862,106)</u>
<u>Cash Flows from Investing Activities:</u>		
Interest Received	19,037	45,306
Sale/(Purchase) of Investments	928,006	197,867
Other Receipts/(Expenses)	72,630	(25,264)
<u>Net Cash Provided(Used) by Investing Activities</u>	<u>1,019,673</u>	<u>217,909</u>
Change in Cash and Cash Equivalents	1,304	56,980
Cash and Cash Equivalents, Beginning of Year	<u>599,405</u>	<u>542,425</u>
Cash and Cash Equivalents, End of Year	<u>\$ 600,709</u>	<u>\$ 599,405</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Net Income (Loss) From Operations	\$ (250,511)	\$ 143,301
Add Expenses Not Using Working Capital:		
Depreciation	520,977	479,750
Add (Deduct) Changes in Non-Cash Working Capital:		
Accounts Receivable	(18,607)	53,101
Accounts Payable	(111,827)	23,499
Payroll Deductions Payable	11,148	888
Overpayments-Service Charges	3,068	8,844
Miscellaneous Deposits	308	(102)
Accrued Vacation and Sick Pay	70,361	(7,904)
<u>Net Cash Provided by Operating Activities</u>	<u>\$ 224,917</u>	<u>\$ 701,177</u>

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

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(1) GENERAL

The Township of Hillsborough Municipal Utilities Authority is a public body politic and corporate, organized and existing under the County and Municipal Utility Authorities Law, constituting Chapter 183 of the P.L. of 1957 of the State of New Jersey approved August 22, 1957 and the acts amendatory thereof or supplemental thereto and was created by virtue of an ordinance of the Township Committee of the Township of Hillsborough in the County of Somerset, adopted on April 13, 1966.

The Authority was created for the purpose of providing sanitary sewer service to the Township of Hillsborough, New Jersey. The Authority currently maintains 169 miles of gravity sewer, 15 sewage pumping stations, and 14.6 miles of force main. The Authority has a service agreement with the Somerset-Raritan Valley Sewerage Authority for sanitary waste treatment.

Revenue is provided primarily from annual service charges collected from customers using the system and initial connection fees.

The service contract with the Township dated September 1, 1966 requires that service charges be sufficient to provide in each fiscal year all operating, maintenance, debt service and reserve requirements necessary to operate the system.

The service agreement further provides that the Authority will charge the Township and the Township will pay to the Authority annual charges sufficient to cover in each fiscal year any short-fall in meeting the expenses of the System (including operation and maintenance, debt service, deficits resulting from failure to receive sums due to the Authority from others, and such reserves or sinking funds as may be required or deemed desirable) out of the funds and revenues of the Authority (including service charges bond proceeds, insurance proceeds, investments proceeds, contributions and reserves on hand).

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with U.S. 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 most significant of the GASB's accounting policies are described below.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

The Authority's financial statements include the operations of the wastewater collection system for which the Board Members of the Authority exercise financial accountability. The Board members are appointed to five-year terms by the Township of Hillsborough. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An Enterprise Fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

The accounting and financial reporting applied by the Authority is determined by its measurement focus. The financial statements are reported using the economic measurement focus and the accrual basis of accounting. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included in the Statements of Net Position. Net Position (totals assets and deferred outflows net of total liabilities and deferred inflows) are segregated into invested in capital assets, restricted and unrestricted components.

Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" which requires the State of New Jersey to calculate and allocate the unfunded net pension liability of Public Employees Retirement System (PERS) of the participating employers as of December 31, 2022. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Statement 68 requires a state or local government employer (or non-employer contributing entity in a special funding situation) to recognize a net pension liability measured as of a date (the measurement date) no earlier than the end of its prior fiscal year. If a state or local government employer or non-employer contributing entity makes a contribution to a defined benefit pension plan between the measurement date of the reported net pension liability and the end of the government's reporting period, Statement 68 requires that the government recognize its contribution as a deferred outflow of resources.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions (Continued)

In addition, Statement 68 requires recognition of deferred outflows of resources and deferred inflows of resources for changes in the net pension liability of a state or local government employer or non-employer contributing entity that arise from other types of events.

Under GAAP, Authorities are required to recognize the pension liability in Statements of Revenues, Expenses, Changes in Net Assets and Notes to the Financial Statements in accordance with GASB 68. The liability required to be displayed by GASB 68 is displayed as a separate line item in the Net Liabilities area of the Statement of Net Position.

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

The Governmental Accounting Standards Board (GASB) has issued Statement no. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. It also requires the State of New Jersey to calculate and allocate to each participating member, for note disclosure purposes only, the OPEB net liability of New Jersey Health Benefits Local Government Retiree Plan (the Plan). The statement does not alter the amount of funds that must be budgeted for OPEB payment under existing state law.

Under GAAP, Authorities are required to recognize the OPEB liability in Statements of Revenues, Expenses, Changes in Net Position and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 is displayed as a separate line item in the Net Liabilities area of the Statement of Net Position.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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.

In addition to liabilities, the statement of financial 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 a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualifies in this category, deferred amounts related to pension and OPEB.

Cash Equivalents

Cash equivalents are stated at cost, which approximates market. The Authority considers investments with maturities of three months or less to be cash equivalents.

Investments

Investments in marketable securities and debt securities are valued at their fair values based on quoted market prices or prices which are provided by investment managers in the statement of financial position. Realized and unrealized gains and losses are included in the statement of activities.

Accounts Receivable

The Authority considers all other accounts receivable to be fully collectible. If amounts become uncollectible, they will be charged to operations when that determination is made.

Inventory

Inventory of spare parts and supplies is recorded as an expense when purchased and accordingly, is not included in the statements of net assets.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Leases

Lease receivables are measured at the present value of the lease payments expected to be received during the lease term. The Authority may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized in a systematic and rational manner over the lease term.

Lease liabilities represent obligations to make lease payments arising from the lease. Lease liabilities are recognized at the commencement date based on the present value of the expected lease payments over the lease term, less any lease incentives. Interest expense is recognized ratably over the contract term. The lease term may include options to extend or terminate the lease when it is reasonably certain that the option will be exercised. Payments for short-term leases with a term of 12 months or less are expensed as incurred and these leases are not included as lease liabilities or right-to-use assets on the statements of net position.

Right to Use Assets

Right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized in a systematic and rational manner over the life of the related lease.

Recently Adopted Accounting Pronouncements

Beginning with the year ended November 30, 2022, the Authority has implemented GASB Statement 87, *Leases*. GASB Statement 87 establishes criteria for accounting and financial reporting for leases. It creates a single model for lease accounting and requires recognition of certain lease assets and liabilities for leases that were previously classified as operating leases. A Lessee is required to recognize a lease liability and an intangible right to use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Fixed Assets

Fixed assets are stated at cost which includes direct construction costs and other expenditures related to construction. Depreciation is determined on a straight-line basis, for all plant and equipment. Depreciation is provided for over the following estimated useful lives:

Collection System	20-40 years
Facilities	30 years
Machinery and Equipment	10-20 years
Computer Equipment	3-5 years
Furniture and Fixtures	10 years
Vehicles	5 years

Details of fixed assets as of November 30, 2022 and 2021 are as follows:

	<u>2022</u>	<u>2021</u>
Collection System	\$25,573,004	\$24,324,898
Facilities	3,095,997	2,622,743
Equipment	<u>2,237,884</u>	<u>1,788,588</u>
	29,906,885	28,736,229
Less: Accumulated Depreciation	<u>19,808,965</u>	<u>19,287,989</u>
Net Fixed Assets	<u>\$10,097,920</u>	<u>\$9,448,240</u>

Management has elected not to include depreciation expense in the service charge rate structure.

Vacation and Sick Leave

Authority employees are granted vacation in varying amounts and earn certain sick leave time. In the event of termination, an employee is reimbursed for accumulated vacation days. All employees are eligible for the reimbursement of accumulated sick leave which is capped. Accumulated unpaid vacation and sick leave amounted to \$134,729 and \$64,365 at November 30, 2022 and 2021, respectively.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Income Taxes

No provision for income taxes has been made as the Authority is exempt from Federal and State income taxes.

Net Position

Equity is classified as net position and displayed in three components:

1. Net Investment in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.
2. Restricted - when constraints placed on net position are either a) externally imposed by creditors (such as the bond resolution), grantors, or laws or regulations of other governments or b) imposed by law.
3. Unrestricted - any other net position that does not meet the definition of "restricted" or "invested in capital assets."

Cash

Trust Accounts

1. Revenue Account

The Revenue Account is established to receive all revenues due to the Authority. Periodic withdrawals are made from the Revenue Account to each of the related accounts to provide the financial resources necessary for the other accounts to carry out their required activities.

2. General Account

The General Account is established to hold unrestricted funds.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Cash (Continued)

Trust Accounts (Continued)

3. Construction Account

The Construction Account has been established to receive and disburse cash for a construction project, or projects, undertaken by the Authority. The Trustee will credit the Construction Account with cash received from the Federal Government, State Grants, proceeds from sale of bonds, insurance proceeds and cash made available by the Authority. Cash may be withdrawn by a requisition certified by the consulting engineer's certificate as to the need, receipt or performance of the items indicated in the requisition.

4. Reserve for Debt Service Account

The Reserve for Debt Service Account is established to provide additional security.

(3) BUDGETARY PROCEDURES

The Authority follows these procedures in establishing the Operating Fund budget:

The annual budget for each fiscal year of the Authority is introduced by resolution passed by not less than a majority of the governing body. Copies are submitted to the Director of the Division of Local Government Services Director prior to the beginning of the Authority's fiscal year for approval prior to its adoption.

The budget must comply with the terms and provisions of any security agreements, and is to be in such form and detail as to items of revenue, expenses and other contents as required by law or by rules and regulations of the Local Finance Board.

No authority budget can be finally adopted until the Director has approved the budget.

Public hearings are conducted to obtain citizen comments on the proposed budget.

Operating expense appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

The budget may be increased after adoption when an item of revenue has been made available after the adoption date.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(4) CASH AND CASH EQUIVALENTS

As of November 30 cash and cash equivalents of the Authority consisted of the following:

	<u>2022</u>	<u>2021</u>
Checking and Money Market Accounts	<u>\$600,709</u>	<u>\$562,122</u>

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey which are insured by the Federal Deposit Insurance Corporation (FDIC), the Savings Association Insurance Fund (SAIF), or by any other agencies of the United States that insures deposits or the State of New Jersey Cash Management Fund. New Jersey statutes permit the deposit of public funds only in banks which meet the requirements of the Governmental Unit Deposit Protection Act or the State of New Jersey Cash Management Fund. This Act, commonly referred to as "GUDPA", requires that banks which accept public funds to be a public depository. The statutes require public depositories to maintain collateral for deposits of public funds that exceed insurance limits.

The Authority does not have a policy for either credit risk or custodial credit risk. However, it is the Authority's policy only to invest with banks that are approved by the board.

The Authority does not have a policy to limit interest rate risk. Investments consist of U.S. government agency obligations.

(5) INVESTMENTS

The Authority's investments include restricted and unrestricted investments which are held by a bank or bank trust department in the Authority's name.

	<u>Carrying Amount</u>	<u>Fair Value</u>
November 30, 2022:		
Federated Money Market Treasury Obligations	<u>\$6,370,519</u>	<u>\$6,370,519</u>
November 30, 2021:		
Federated Money Market Treasury Obligations	<u>\$7,496,392</u>	<u>\$7,496,392</u>

Cost of Investments approximates Fair Value due to the short-term nature of the investments.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(6) CHANGES IN FIXED ASSETS

The following is a summary of the changes in fixed assets for the period ending November 30, 2022:

	Balance November <u>30, 2021</u>	<u>Additions</u>	<u>Disposals</u>	Balance November <u>30, 2022</u>
Collection System	\$24,324,898	\$248,106		\$24,573,004
Facilities	2,622,743	473,254		3,095,997
Equipment	<u>1,788,588</u>	<u>449,296</u>	_____	<u>2,237,884</u>
	28,736,229	1,170,656		29,906,885
Less: Accumulated Depreciation	<u>19,287,989</u>	<u>520,976</u>	_____	<u>19,808,965</u>
	<u>\$ 9,448,240</u>	<u>\$649,680</u>	<u>\$ (- 0 -)</u>	<u>\$ 10,097,920</u>

(7) LEASE PAYABLE

The Authority has entered into the a lease for property at the 300 Triangle Rd, Hillsborough, New Jersey for use of the office space. The current lease term expires September 30, 2026 with no additional options to extend. The lessee must provide notice of intention to terminate to the lessor not less than sixty days prior to the expiration of any subsequent renewal term. The lease receivable is measured as the present value of the future value of the minimum lease payments expected to be received during the lease term at the discount rate. The discount rate is .58% and is equal to the incremental borrowing rate of the Lessor.

Under the provisions of GASB 87, in 2022 the Commission would recognize lease expense of \$62,154 and \$1,716 of interest expense under the lease.

Total future minimum lease payments to be paid under the lease agreement under GASB 87 are as follows:

	<u>Office Lease – 300 Triangle Road</u>		
<u>Year Ending</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 62,516	\$ 1,240	\$ 63,756
2024	62,881	875	63,756
2025	63,248	508	63,756
2026	<u>52,989</u>	<u>141</u>	<u>53,130</u>
	<u>\$ 241,634</u>	<u>\$ 2,764</u>	<u>\$ 244,398</u>
2022 Expense	<u>\$ 62,154</u>	<u>\$ 1,602</u>	<u>\$ 63,756</u>

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(8) ACCRUED VACATION AND SICK LEAVE

Certain employees are permitted to accrue unused vacation and sick leave. The Authority estimates its liability for such accrued time at November 30 to be as follows:

<u>2022</u>	<u>2021</u>
<u>\$134,728</u>	<u>\$64,365</u>

(9) NET POSITION

The components of net position as of November 30 are as follows:

	<u>2022</u>	<u>2021</u>
Net Position:		
Net Investment in Capital Assets	\$10,097,920	\$9,449,618
Unrestricted:		
Operating Cost	1,695,250	1,695,250
Reserve for Debt Service		324,941
System Replacement		1,495,000
Capital Improvements	5,003,133	5,400,000
Rate Stabilization		1,356,200
Net Pension Liability	(1,811,839)	(2,200,002)
Net OPEB Liability	(5,058,100)	(5,200,613)
Unrestricted	(2,415,164)	(2,415,164)
	<u>\$9,926,364</u>	<u>\$9,905,230</u>

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(10) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLAN

Substantially all eligible employees participate in the Public Employees' Retirement System (PERS), or the Defined Contribution Retirement System (DCRP), which have been established by state statute and are administered by the New Jersey Division of Pensions and Benefits. The Division issues a publicly available financial report that includes the financial statements and required supplementary information for the Public Employees Retirement System. This report may be obtained by writing to the Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey, 08625 or are available online at www.nj.gov/treasury/pensions/annrpts.shtml.

Public Employees' Retirement System (PERS) - The Public Employees' Retirement System (PERS) was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A, to provide retirement, death, disability and medical benefits to certain qualified members. The PERS is a cost-sharing multiple employer plan. Membership is mandatory for substantially, all full-time employees of the State of New Jersey or any county, municipality, school district or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state pension fund or local jurisdiction's pension fund.

Defined Contribution Retirement Program (DCRP) - The Defined Contribution Retirement Program (DCRP) was established July 1, 2007, under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, and was expanded under the provisions of Chapter 89, P.L. 2009. The DCRP provides eligible employees and their beneficiaries with a tax-sheltered, defined contribution retirement benefit, along with life insurance coverage and disability coverage.

Vesting and Benefit Provisions

The vesting and benefit provisions for PERS are set by N.J.S.A. 43:15A and 43:36. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service. Members may seek early retirement after achieving 25 years of service credit or they may elect deferred retirement after achieving ten years of service credit; in which case, benefits would begin the first day of the month after the member attains normal retirement age.

Newly elected or appointed officials that have an existing DCRP account, or are a member of another State-administered retirement system are immediately invested in the DCRP. For newly elected or appointed officials that do not qualify for immediate vesting in the DCRP, Employee and employer contributions are held during the initial year of membership. Upon commencing the second year of DCRP membership, the member is fully invested. However, if a member is not eligible to continue in the DCRP for a second year of membership, the member may apply for a refund of the employee contributions from the DCRP, while the employer contributions will revert back to the employer. Employees are required to contribute 7.5% of their base salary and employers contribute 3.0%.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(10) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLAN (CONTINUED)

Accounting and Financial Reporting for Pensions – GASB 68

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" which requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) of the participating local units as of December 31, 2022. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Public Employees Retirement System (PERS)

At June 30, 2022, the State reported a net pension liability of \$2,528,122.00 for the Authority's proportionate share of the total net pension liability. The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. 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 employers, actuarially determined. At June 30, 2022, the Authority's proportion was 0.0167520980 percent, which was an increase of 0.0021468012 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the State recognized an actuarially determined pension expense of \$34,341.00 for the Authority's proportionate share of the total pension expense. The pension expense recognized in the Authority's financial statements based on the April 1, 2022 billing was \$171,045.00.

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$ 18,247.00	\$ 16,091.00
Changes of assumptions	7,833.00	378,560.00
Net difference between projected and actual earnings on pension plan investments	104,637.00	
Changes in proportion and differences between Authority contributions and proportionate share of contributions	768,965.00	
Authority contributions subsequent to the measurement date	<u>211,252.00</u>	
	<u>\$ 1,110,934.00</u>	<u>\$ 394,651.00</u>

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(10) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLAN (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

The \$211,252.00 reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date (i.e. for the year ending June 30, 2022, the plan measurement date is June 30, 2021) will be recognized as a reduction of the net pension liability in the year ended June 30, 2023.

Other local amounts reported by the State as the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

<u>Year Ended June 30,</u>	<u>Amount</u>
2023	(\$63,067.00)
2024	43,310.00
2025	99,913.00
2026	271,339.00
2027	153,536.00
	<u>\$505,031.00</u>

Actuarial Assumptions

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

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases	
Through 2026	2.75-6.55%
Based on	
Years of Service	
Investment Rate of Return	7.00%

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(10) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLAN (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, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

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, 2022) 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 rates of return for each major assets class included in PERS's target assets allocation as of June 30, 2022 asset are summarized in the following table:

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

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(10) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLAN (CONTINUED)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based 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 in determining the total pension liability.

Sensitivity of the Authority's proportionate share of net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the net pension liability of the participating employers as of June 30, 2022 respectively, calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of 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, 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	\$3,247,896.00	\$2,528,122.00	\$1,915,565.00

Special Funding Situation

In accordance with N.J.S.A. 43:16A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. For PERS, the legislation which legally obligates the State is found in Chapter 133, P.L. 2001. This special funding situation is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2022, there is no net pension liability associated with this special funding situation as there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(10) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION PLAN (CONTINUED)

Special Funding Situation (Continued)

The amounts contributed by the State on behalf of the Authority under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68, and the State is treated as a nonemployer contributing entity. Since the Authority does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the Authority related to this legislation.

The non-employer contributing entities' total proportionate share of the non-employer contribution that is associated with the Authority as of December 31, 2022 was 0.0168190252%, The non-employer contributing entities' contribution and employer pension expense and related revenue for the year ended June 30, 2022 was \$5,319.00.

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). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

(11) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. OPEB obligations are non-pension benefits that the authority has contractually or otherwise agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription and dental insurance coverage.

Under current New Jersey budget and financial reporting requirements, the Authority is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis or to accrue funds, create a trust or issue debt to finance their other post-employment benefit liability. Additionally, the Authority is not required to recognize any long-term obligations resulting from OPEB on their financial statements.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(11) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Plan Description and Benefits Provided

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits.

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations' agreement.

In accordance with Chapter 330, P.L. 1997, which is codified in N.J.S.A 52: 14-17.32i, the State provides medical and prescription coverage to local police officers and firefighters, who retire with 25 years of service or on a disability from an employer who does not provide postretirement medical coverage. Local employers were required to file a resolution with the Division in order for their employees to qualify for State-paid retiree health benefits coverage under Chapter 330. The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(11) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Plan Description and Benefits Provided (Continued)

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

Contributions

The Hillsborough Municipal Utilities Authority's contributions to SHBP for the years ended December 31, 2022 and 2021 were \$53,147.00 and 91,706.00 respectively, which equaled the required contributions for each year.

Total Net OPEB Liability

At June 30, 2022, the Plan reported a Liability of \$4,103,774.00 for the Authority's proportionate share of the collective Net OPEB liability. The total Net OPEB Liability measured as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022.

The Authority's proportion of the Net OPEB Liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2021 through June 30, 2022.

At June 30, 2022, the Authority's proportion was 0.25411 percent, which was a decrease of 0.000312 percent from its proportion measured as of June 30, 2021. For the year ended June 30, 2022, the State reported OPEB expense of \$53,147.00. This OPEB expense was based on the OPEB plans June 30, 2022 measurement date. At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(11) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Total Net OPEB Liability (Continued)

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience	\$211,923.00	\$760,665.00
Changes of assumptions	547,666.00	1,400,539.00
Net difference between projected and actual earnings on OPEB plan investments	1,080.00	
Changes in proportion	<u>639,226.00</u>	<u>303,627.00</u>
	<u>\$1,399,895.00</u>	<u>\$2,464,831.00</u>

Deferred outflows of resources in the amount of \$1,510,505.00 was the result of the Authority contributions subsequent to the Plan's measurement date of June 30, 2022. This amount will be included as a reduction of the Authority's net OPEB liability during the fiscal year ending June 30, 2023.

Other local amounts reported by the State as the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the State's actuarially calculated pension (benefit)/expense as follows:

Year Ended	<u>Amount</u>
<u>June 30,</u>	
2023	(\$304,740.20)
2024	(305,068.20)
2025	(226,791.20)
2026	(64,142.20)
2027	37,690.80
2028-2029	<u>(201,884.00)</u>
	<u>(\$1,064,935.00)</u>

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(11) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs

The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases:

Public Employees Retirement System
(PERS):

Initial fiscal year applied	2.75%	to
Rate for all future years	6.55%	

Police and Firemen's Retirement System
(PFRS):

Rate for all future years	3.25%	to
	16.25%	

Mortality

PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using scale MP-2021
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using scale MP-2021

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

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

100% of active members are considered to participate in the Plan upon retirement.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(11) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS
OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Discount Rate

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

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

The following presents the Net OPEB Liability associated with the Authority's as of June 30, 2022, calculated using the discount rate as disclosed above as well as what the Net OPEB 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, 2022		
	<u>1.00% Decrease (2.54%)</u>	<u>At Discount Rate (3.54%)</u>	<u>1.00% Increase (4.54%)</u>
Authority's proportionate share of the Net OPEB Liability	\$4,757,099.86	\$4,103,773.71	\$3,578,111.69

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Trends

The following presents the total Net OPEB Liability associated with the Authority's as of June 30, 2022, calculated using the healthcare trend rate as disclosed above as well as what the Net OPEB Liability would be if it was calculated using a healthcare trend rate that is 1- percentage point lower or 1-percentage point higher than the current rate:

	June 30, 2022		
	<u>1.00% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1.00% Increase</u>
Authority's proportionate share of the Net OPEB Liability	\$3,481,354.79	\$4,103,773.71	\$4,900,917.08

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 <http://www.state.nj.us/treasury/pensions>

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

NOVEMBER 30, 2022 AND 2021

(12) INSURANCE

The Authority is a member of the New Jersey Utility Authorities Joint Insurance Fund.

The Fund was created on September 15, 1991, in accordance with P.L. 1983, C. 372, entitled "An act concerning joint insurance funds for local units of government, and supplementing Chapter 10 of "Title 40A of the New Jersey statutes." The Fund is both an insured and self-administered group of utility authorities established for the purpose of providing low cost insurance coverage and safety programs for the member utility authorities in order to keep insurance premiums, claims and administrative costs at a minimum.

The following coverage's are offered by the Fund to its members:

- a. Worker's Compensation and Employer's Liability
- b. Liability Other Than Motor Vehicles
- c. Property Damage Other Than Motor Vehicles
- d. Motor Vehicle
- e. Environmental Liability
- f. Public Officials
- g. Employment Practices Liability

The Joint Insurance Fund is also a member of The Municipal Excess Liability Joint Insurance Fund which provides excess coverage.

A participating utility authority must remain in the Fund for the full term of membership unless earlier terminated by a majority vote of the Fund Commissioners or a two-thirds vote of the Executive Committee for non-payment of assessments or continued non-compliance after written notice to comply with the by-laws or other obligations. Termination may occur only after proper notice has been given, in accordance with the Fund's by-laws.

(13) SUBSEQUENT EVENTS

The Township of Hillsborough Municipal Utilities Authority has evaluated subsequent events occurring after the financial statement date through September 27, 2023, which is the date the financial statements were available to be issued.

(14) LITIGATION, CLAIMS AND CONTINGENT LIABILITIES

The Authority is subject to extensive federal and state environmental regulations. The Authority's management is not aware of any violations that may have a material effect on the financial statements.

In the ordinary conduct of its business, the Authority may be a party to litigation. At November 30, 2022, in the opinion of management based upon consultation with legal counsel, there were no matters pending or threatened which would have a material adverse effect on the financial position of the Authority.

SUPPLEMENTARY INFORMATION

SCHEDULE 1

THE TOWNSHIP OF HILLSBOROUGH MUNICIPAL UTILITIES AUTHORITY
 SCHEDULE OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
 NOVEMBER 30, 2022

	UNRESTRICTED	SYSTEM REPLACEMENT	OPERATING COST	CAPITAL IMPROVEMENTS	RATE STABILIZATION	RESERVE FOR DEBT SERVICE ACCOUNT	TOTAL
Operating Revenues:							
Sewer Service Charges	\$ 6,130,591	\$	\$	\$	\$	\$	\$ 6,130,591
Connection Charges	139,934						139,934
Inspection Fees	12,200						12,200
Other	138,834						138,834
Interest on Delinquent Accounts	61,664						61,664
<u>Total Operating Revenues</u>	<u>6,483,223</u>						<u>6,483,223</u>
Operating Expenses:							
Operating Costs	2,770,257						2,770,257
Sewerage Treatment	3,442,500						3,442,500
Depreciation Expense	520,977						520,977
<u>Total Operating Expenses</u>	<u>6,733,734</u>						<u>6,733,734</u>
Operating Income	(250,511)						(250,511)
Non-Operating Revenue (Expense):							
Interest Income	18,224					813	19,037
Interest Expense	(1,716)						(1,716)
Pension Related	176,911						176,911
OPEB Related	4,783						4,783
Other	72,630						72,630
	<u>270,832</u>					<u>813</u>	<u>271,645</u>
Net Income (Loss) Before Transfers	20,321					813	21,134
Transfers:							
Interfunds	3,573,821	\$ (1,495,000)		\$ (396,867)	(1,356,200)	\$ (325,754)	
Change in Net Position	3,594,142	(1,495,000)		(396,867)	(1,356,200)	(324,941)	21,134
Net Position, Beginning of Year	(366,161)	1,495,000	1,695,250	5,400,000	1,356,200	324,941	9,905,230
Net Position, End of Year	\$ 3,227,981	\$ -	\$ 1,695,250	\$ 5,003,133	\$ -	\$ -	\$ 9,926,364

SCHEDULE 2

THE TOWNSHIP OF HILLSBOROUGH MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF CASH RECEIPTS AND DISBURSEMENTS
FOR THE YEAR ENDED NOVEMBER 30, 2022

	<u>TOTAL</u>	<u>REVENUE</u> <u>ACCOUNT</u>	<u>GENERAL</u> <u>ACCOUNT</u>	<u>CONSTRUCTION</u> <u>ACCOUNT</u>	<u>RESERVE</u> <u>FOR DEBT</u> <u>SERVICE</u> <u>ACCOUNT</u>	<u>INSPECTION</u> <u>TRUST</u> <u>ACCOUNT</u>
Balance, December 1, 2021	\$ 7,897,931	\$ 2,902,093	\$ 4,507,405	\$ 1,378	\$ 324,941	\$ 162,114
Increased by:						
Sewer Service Charges	6,114,541	6,114,541				
Sewer Connection Charges	140,444	140,444				
Interest on Investments	19,037	10,417	7,388	4	813	415
Interest on Delinquent Accounts	61,664	61,664				
Inspection Fees	12,200	12,200				
Plan Review Fees	9,250	9,250				
Miscellaneous	138,904	138,904				
	<u>6,496,040</u>	<u>6,478,170</u>	<u>7,388</u>	<u>4</u>	<u>813</u>	<u>9,665</u>
Total	14,393,971	9,380,263	4,514,793	1,382	325,754	171,779
Decreased by:						
Accounts Payable	166,966	166,966				
Operating Expenses	2,630,421	2,630,421				
Sewerage System Costs	3,442,500	3,442,500				
Inspection Costs	1,170,656	1,170,656				12,200
Acquisition of Capital Assets	7,410,543	1,170,656				12,200
Total	<u>6,983,428</u>	<u>3,140,376</u>	<u>3,344,137</u>	<u>1,382</u>	<u>325,754</u>	<u>159,579</u>
Balance, November 30, 2022	600,709	430,977	8,771	1,382	325,754	159,579
Cash	6,370,519	2,709,399	3,335,366			
Investments	<u>\$ 6,971,228</u>	<u>\$ 3,140,376</u>	<u>\$ 3,344,137</u>	<u>\$ 1,382</u>	<u>\$ 325,754</u>	<u>\$ 159,579</u>

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS
FUNDED BY OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED NOVEMBER 30, 2022

	2022 ADOPTED BUDGET	2022 ACTUAL	2021 ACTUAL
REVENUE			
Sewer Service Charges	\$ 6,200,000	\$ 6,130,591	\$ 6,051,587
Connection Charges	385,000	139,934	885,725
Interest Income	32,000	19,037	45,306
Inspection Fees	40,000	12,200	19,752
Plan Review Fees	2,500	-	6,322
Miscellaneous	9,000	138,834	16,998
Interest on Delinquent Accounts	55,000	61,664	62,002
Unrestricted Net Assets	57,500		
	<u>6,781,000</u>	<u>6,502,260</u>	<u>7,087,692</u>
TOTAL REVENUE			
OPERATING EXPENSES			
Administrative:			
Salaries and Wages	402,500	402,997	380,738
Office Rent and Overhead	77,000	73,478	71,584
Equipment Service and Maintenance	55,000	55,489	44,805
Postage, Printing and Stationery Supplies	38,000	35,933	35,810
Dues, Subscriptions, Tuition and Seminars	20,000	12,062	11,810
Miscellaneous	5,500	7,979	2,590
System Operating Expense:			
Salaries and Wages	1,000,000	1,019,119	925,271
Utilities	170,000	154,483	166,123
Service, Repairs and Replacements	100,000	107,134	137,589
Vehicle Operation and Maintenance	40,000	67,649	46,354
Tools, Materials and Supplies	38,000	43,657	32,449
State Mandated Programs-Permits	7,000	7,097	7,992
Bioxide	50,000	27,250	44,535
Professional Services:			
Legal	20,000	8,036	7,974
Financial	17,000	17,200	16,825
Engineering	15,000	3,271	
Insurance and Bonding:			
Group Insurance Plan for Employees	420,000	375,637	358,342
Other Insurance and Bond Premiums	65,000	72,336	61,856
Statutory Expenditures:			
Social Security	100,000	103,397	99,910
Disability/Unemployment Insurance	6,000	5,128	4,706
Public Employees' Retirement System	135,000	171,045	129,687
	<u>2,781,000</u>	<u>2,770,257</u>	<u>2,586,950</u>
TOTAL	\$ 2,781,000	\$ 2,770,257	\$ 2,586,950

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS
 FUNDED BY OPERATING REVENUES COMPARED TO BUDGET
FOR THE YEAR ENDED NOVEMBER 30, 2022

	2022 ADOPTED BUDGET	<u>2022 ACTUAL</u>	<u>2021 ACTUAL</u>
Sewerage Treatment - Somerset-Raritan Valley Sewerage Authority	\$ <u>4,000,000</u>	\$ <u>3,442,500</u>	\$ <u>3,832,385</u>
<u>TOTAL OPERATING EXPENSES</u>	<u>6,781,000</u>	<u>6,212,757</u>	<u>6,419,335</u>
<u>TOTAL COSTS FUNDED BY OPERATING REVENUES</u>	<u>\$ 6,781,000</u>	<u>\$ 6,212,757</u>	<u>\$ 6,419,335</u>

SCHEDULE 4

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

SCHEDULE OF SEWER CHARGES RECEIVABLE
NOVEMBER 30, 2022

Balance, December 1, 2021		\$	282,090
Increased by:			
2022 Charges			<u>6,130,591</u>
			6,412,681
Decreased by:			
Collected	\$	6,111,473	
		<u>6,111,473</u>	
			<u>6,111,473</u>
Balance, November 30, 2022		\$	<u><u>301,208</u></u>

SCHEDULE 5

SCHEDULE OF SEWER CONNECTION CHARGES RECEIVABLE
NOVEMBER 30, 2022

Balance, December 1, 2021		\$	2,179
increased by:			
2022 Charges			<u>139,934</u>
			142,113
Decreased by:			
Collected			<u>140,444</u>
			<u>140,444</u>
Balance, November 30, 2022		\$	<u><u>1,668</u></u>

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Fiscal Year Ending June 30,	Authority's Proportion Share of the Net Pension Liability (Asset)	Authority's Proportionate Share of the Net Pension Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportion Share of the Net Pension Liability (Asset) as a percentage of it's Covered- Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2014	0.0141226391%	\$ 1,644,144	1,037,476	158.48%	52.08%
2015	0.0128714559%	\$ 2,889,384	787,641	366.84%	47.93%
2016	0.0121264894%	\$ 3,591,518	885,867	405.42%	40.14%
2017	0.0108167892%	\$ 2,517,976	851,782	295.61%	48.10%
2018	0.0110349400%	\$ 2,172,725	797,535	272.43%	53.60%
2019	0.0112062703%	\$ 2,019,200	920,430	219.38%	56.27%
2020	0.0118549341%	\$ 1,933,230	1,130,666	170.98%	58.32%
2021	0.0146052968%	\$ 1,730,216	1,224,040	141.35%	42.18%
2022	0.0146052968%	\$ 2,528,122	1,422,116	177.77%	42.18%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE "R-2"

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

<u>Fiscal Year</u> <u>Ending</u> <u>June 30.</u>	<u>Contractually</u> <u>Required</u> <u>Contribution</u>	<u>Contributions in</u> <u>Relation to the</u> <u>Contractually</u> <u>Required</u> <u>Contributions</u>	<u>Contribution</u> <u>Deficiency</u> <u>(Excess)</u>	<u>Authority's</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>	<u>Contributions as</u> <u>a</u> <u>Percentage of</u> <u>Covered-</u> <u>Employee</u> <u>Payroll</u>
2014	\$ 116,425	\$ 116,425	\$ -0-	1,037,476	11.22%
2015	\$ 110,660	\$ 110,660	\$ -0-	787,641	14.05%
2016	\$ 107,730	\$ 107,730	\$ -0-	885,867	12.16%
2017	\$ 100,206	\$ 100,206	\$ -0-	851,782	11.76%
2018	\$ 110,179	\$ 110,179	\$ -0-	797,535	13.81%
2019	\$ 109,762	\$ 109,762	\$ -0-	920,430	11.93%
2020	\$ 129,687	\$ 129,687	\$ -0-	1,130,666	11.47%
2021	\$ 171,045	\$ 171,045	\$ -0-	1,224,040	13.97%
2022	\$ 171,045	\$ 171,045	\$ -0-	1,422,116	12.03%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTE TO RSI III
FOR THE YEAR ENDED NOVEMBER 30, 2022

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers.

SCHEDULE "S-1"

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
LAST TEN YEARS

Fiscal Year Ending June 30,	Authority's Proportion Share of the Net OPEB Liability	Authority's Proportionate Share of the Net OPEB Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportion Share of the Net OPEB Liability (Asset) as a percentage of it's Covered- Employee Payroll	Plan Fiduciary Net Position as a percentage of the total OPEB Liability
2017	0.0219220%	\$ 4,475,549	\$ 851,782	525.43%	1.03%
2018	0.0222090%	\$ 3,479,399	\$ 797,535	436.27%	1.97%
2019	0.0214610%	\$ 2,907,122	\$ 920,430	315.84%	1.98%
2020	0.0259120%	\$ 4,650,326	\$ 1,130,666	411.29%	0.91%
2021	0.0255810%	\$ 4,604,524	\$ 1,224,040	376.17%	0.28%
2022	0.0255810%	\$ 4,103,774	\$ 1,422,116	288.57%	0.28%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE "S-2"

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEE PLAN
LAST TEN YEARS

Fiscal Year Ending June 30,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Authority's Covered- Employee Payroll	Contributions as a Percentage of Covered- Employee Payroll
2017	\$ 126,176	\$ 126,176	\$ -0-	\$ 851,782	14.81%
2018	\$ 119,118	\$ 119,118	\$ -0-	\$ 797,535	14.94%
2019	\$ 83,756	\$ 83,756	\$ -0-	\$ 920,430	9.10%
2020	\$ 84,840	\$ 84,840	\$ -0-	\$ 1,130,666	7.50%
2021	\$ 92,827	\$ 92,827	\$ -0-	\$ 1,224,040	7.58%
2022	\$ 92,827	\$ 92,827	\$ -0-	\$ 1,422,116	6.53%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR OPEB (GASB 75)
NOTE TO RSI III
FOR THE YEAR ENDED NOVEMBER 30, 2022

STATE HEALTH INSURANCE PROGRAM (SHIP)

Change in benefit terms

None

Change in assumptions

The discount rate changed from 2.16% to 3.50% as of
June 30, 2022.

THE TOWNSHIP OF HILLSBOROUGH
MUNICIPAL UTILITIES AUTHORITY

NOVEMBER 30, 2022

GENERAL COMMENTS AND RECOMMENDATIONS

NONE