

**THE POMPTON LAKES BOROUGH
MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the
Borough of Pompton Lakes)**

FINANCIAL STATEMENTS

YEARS ENDED MAY 31, 2024 AND 2023

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THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

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THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
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Financial Section

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Pompton Lakes Borough Municipal Utilities Authority
2000 Lincoln Avenue
Pompton Lakes, New Jersey 07442

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the Pompton Lakes Borough Municipal Utilities Authority, which comprise the statement of net position as of May 31, 2024 and 2023, 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 as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the Pompton Lakes Borough Municipal Utilities Authority as of May 31, 2024 and 2023, and the results of its operations and its 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 (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards (Government Auditing Standards)*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Pompton Lakes Borough 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.

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 Pompton Lakes Borough Municipal Utilities Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's 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 GAAS and Government Auditing Standards will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and Government Auditing Standards, we:

- Exercise professional judgement 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 Pompton Lakes Borough 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 judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Pompton Lakes Borough 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 and Analysis, schedule of the Authority's proportionate share of the net pension liability, schedule of funding progress for OPEB plan, schedule of employer contributions to the OPEB plan, and schedule of Authority contributions as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprises the Pompton Lakes Borough Municipal Utilities Authority's financial statements. The Supplemental Schedules are presented for purposes of additional analysis and are not a required part of the financial statements.

The supplemental schedules are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the

Honorable Chairperson and Members of the
Pompton Lakes Borough Municipal Utilities Authority
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underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplemental schedules are fairly stated in all material respects in relation to the financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 2, 2024 on our consideration of the Pompton Lakes Borough 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 Pompton Lakes Borough Municipal Utilities Authority's internal control over financial reporting and compliance.

Very truly yours,

Wielkottz & Company, LLC

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

October 2, 2024

Required Supplementary Information - Part I

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Management Discussion and Analysis

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THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

MANAGEMENT'S DISCUSSION AND ANALYSIS
(UNAUDITED)

As management of the Pompton Lakes Borough Municipal Utilities Authority, we offer the Authority's financial statements this narrative overview and analysis of the Authority's financial performance during the fiscal years ended May 31, 2024 and 2023. Please read this analysis in conjunction with the Authority's financial statements, which follow this section.

Financial Highlights

- The Authority's assets exceeded its liabilities by \$2,499,341 (net position) for the fiscal year reported. This compares to the previous year when assets exceeded liabilities by \$2,732,973.
- Total net position is comprised of the following:
 - (1) Capital assets, net of related debt, of \$6,419,584 includes property and equipment, net of accumulated depreciation, and reduced for outstanding debt related to the purchase or construction of capital assets.
 - (2) Restricted net position of \$-0- are restricted by constraints imposed from outside the Authority such as debt covenants, grantors, laws, or regulations.
 - (3) Unrestricted net position of \$(3,920,243) represent the portion available to maintain the Authority's continuing obligations to citizens and creditors.
- Total liabilities of the Authority increased by \$42,953 to \$8,564,239 during the fiscal year, largely due to increases in the Authority's proportionate share of the net OPEB liability.

Overview of the Financial Statements

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

Required Financial Statements

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

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

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

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

Notes to the Financial Statements

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

Other Information

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

Financial Analysis of the Authority

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

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

Net Position

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

The Authority's net position at fiscal year-end are \$2,499,341. This is a \$233,632 decrease under last year's net position of \$2,732,973. A summary of the Authority's statement of net position is presented in the following table:

Condensed Statement of Net Position

	<u>FY 2024</u>	<u>FY 2023</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Current and Other Assets	2,533,051	3,229,023	(695,972)	(21.55)%
Capital Assets	<u>9,155,128</u>	<u>9,240,029</u>	<u>(84,901)</u>	(0.92)%
Total Assets	<u>11,688,179</u>	<u>12,469,052</u>	<u>(780,873)</u>	(6.26)%
Deferred Outflows of Resources	<u>2,207,275</u>	<u>1,670,966</u>	<u>536,309</u>	32.10%
Long-term Debt Outstanding	2,358,479	2,651,522	(293,043)	(11.05)%
Other Liabilities	<u>6,205,760</u>	<u>5,869,764</u>	<u>335,996</u>	5.72%
Total Liabilities	<u>8,564,239</u>	<u>8,521,286</u>	<u>42,953</u>	0.50%
Deferred Inflows of Resources	<u>2,831,874</u>	<u>2,885,759</u>	<u>(53,885)</u>	(1.87)%
Invested in Capital Assets, Net of Related Debt	6,419,584	6,204,418	215,166	3.47%
Unrestricted	<u>(3,920,243)</u>	<u>(3,471,445)</u>	<u>(448,798)</u>	12.93%
Total Net Position	<u>2,499,341</u>	<u>2,732,973</u>	<u>(233,632)</u>	(8.55)%

While the *Statement of Net Position* shows the change in financial position of net position, the *Statement of Revenues, Expenses and Changes in Net Position* provides answers as to the nature and source of these changes. As can be seen in the above table, net position decreased by \$233,632.

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

Net Position (Continued)

Net position for the years ending May 31, 2023 and 2022, were as follows:

Condensed Statement of Net Position

	<u>FY 2023</u>	<u>FY 2022</u>	Dollar Change	Percent Change
Current and Other Assets	3,229,023	3,020,244	208,779	6.91%
Capital Assets	<u>9,240,029</u>	<u>10,041,664</u>	<u>(801,635)</u>	(7.98)%
Total Assets	<u>12,469,052</u>	<u>13,061,908</u>	<u>(592,856)</u>	(4.54)%
Deferred Outflows of Resources	<u>1,670,966</u>	<u>1,460,241</u>	<u>210,725</u>	14.43%
Long-term Debt Outstanding	2,651,522	2,948,168	(296,646)	(10.06)%
Other Liabilities	<u>5,869,764</u>	<u>5,484,438</u>	<u>385,326</u>	7.03%
Total Liabilities	<u>8,521,286</u>	<u>8,432,606</u>	<u>88,680</u>	1.05%
Deferred Inflows of Resources	<u>2,885,759</u>	<u>3,359,264</u>	<u>(473,505)</u>	(14.10)%
Invested in Capital Assets, Net of Related Debt	6,204,418	6,727,764	(523,346)	(7.78)%
Unrestricted	<u>(3,471,445)</u>	<u>(3,997,485)</u>	<u>526,040</u>	(13.16)%
Total Net Position	<u>2,732,973</u>	<u>2,730,279</u>	<u>2,694</u>	0.10%

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

Net Position (Continued)

**Condensed Statement of Revenues, Expenses
and Changes in Net Position**

	<u>FY 2024</u>	<u>FY 2023</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenue	3,560,473	3,381,963	178,510	5.28%
Total Revenues	<u>3,560,473</u>	<u>3,381,963</u>	<u>178,510</u>	5.28%
Depreciation	847,470	883,331	(35,861)	(4.06)%
Other Operating Expenses	2,917,024	2,466,683	450,341	18.26%
Other Non-Operating Expense	<u>29,611</u>	<u>29,255</u>	<u>356</u>	1.22%
Total Expenses	<u>3,794,105</u>	<u>3,379,269</u>	<u>414,836</u>	12.28%
Change in Net Position	(233,632)	2,694	(236,326)	(8772.31)%
Beginning Net Position - June 1	<u>2,732,973</u>	<u>2,730,279</u>	<u>2,694</u>	0.10%
Ending Net Position May 31	<u>2,499,341</u>	<u>2,732,973</u>	<u>(233,632)</u>	(8.55)%

The Authority's Operating Revenues increased by \$178,510 to \$3,560,473 in 2024 from \$3,381,963 in 2023. This increase is primarily due to increases in connection fees and interest income.

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

Net Position (Continued)

**Condensed Statement of Revenues, Expenses
and Changes in Net Position**

	<u>FY 2023</u>	<u>FY 2022</u>	<u>Dollar Change</u>	<u>Percent Change</u>
Operating Revenue	<u>3,381,963</u>	<u>3,329,732</u>	<u>52,231</u>	1.57%
Total Revenues	<u>3,381,963</u>	<u>3,329,732</u>	<u>52,231</u>	1.57%
Depreciation	883,331	884,035	(704)	(0.08)%
Other Operating Expenses	2,466,683	2,347,240	119,443	5.09%
Other Non-Operating Expense	<u>29,255</u>	<u>33,779</u>	<u>(4,524)</u>	(13.39)%
Total Expenses	<u>3,379,269</u>	<u>3,265,054</u>	<u>114,215</u>	3.50%
Change in Net Position	2,694	64,678	(61,984)	
Beginning Net Position - June 1	<u>2,730,279</u>	<u>2,665,601</u>	<u>64,678</u>	2.43%
Ending Net Position May 31	<u>2,732,973</u>	<u>2,730,279</u>	<u>2,694</u>	0.10%

Budgetary Highlights

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

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
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MANAGEMENT'S DISCUSSION AND ANALYSIS (CONTINUED)
(UNAUDITED)

Budgetary Highlights (Continued)

The following table provides a 2024 budget comparison:

	Budget vs. Actual FY 2024		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	3,554,463	3,668,129	113,666
Non-Operating	<u>-0-</u>	<u>-0-</u>	<u>-0-</u>
	<u>3,554,463</u>	<u>3,668,129</u>	<u>113,666</u>
Expenses:			
Operating	3,222,500	3,138,251	84,249
Debt Service	<u>331,963</u>	<u>329,679</u>	<u>2,284</u>
	<u>3,554,463</u>	<u>3,467,930</u>	<u>86,533</u>
Income Before Depreciation	<u>-0-</u>	<u>200,199</u>	<u>200,199</u>

The following table provides a 2023 budget comparison:

	Budget vs. Actual FY 2023		
	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:			
Operating	3,306,947	3,418,910	111,963
Non-Operating	<u>-0-</u>	<u>-0-</u>	<u>0</u>
	<u>3,306,947</u>	<u>3,418,910</u>	<u>111,963</u>
Expenses:			
Operating	3,013,000	2,786,984	226,016
Debt Service	<u>293,947</u>	<u>307,544</u>	<u>(13,597)</u>
	<u>3,306,947</u>	<u>3,094,528</u>	<u>212,419</u>
Income Before Depreciation	<u>0</u>	<u>324,382</u>	<u>324,382</u>

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

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

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2024, the Authority had \$32,314,024 in capital assets. Included in that amount is \$1,237,625 of capital that was contributed to the Authority. The Authority's net property, plant and equipment at fiscal year end was \$9,155,128. This is a \$84,901 decrease under last year's net property, plant and equipment of \$9,240,029. A summary of the Authority's capital assets is presented in the following table:

CAPITAL ASSETS

	<u>FY 2024</u>	<u>FY 2023</u>	<u>Dollar Change</u>	<u>FY 2022</u>
Land	605,689	65,652	540,037	65,652
Buildings, Force Mains and Interceptors	26,044,995	25,899,777	145,218	25,836,109
Vehicles and Equipment	<u>5,663,340</u>	<u>5,619,642</u>	<u>43,698</u>	<u>5,601,614</u>
Total Property, Plant and Equipment	32,314,024	31,585,071	728,953	31,503,375
Less: Accumulated Depreciation	<u>23,192,511</u>	<u>22,345,042</u>	<u>847,469</u>	<u>21,461,711</u>
Total Capital Assets	9,121,513	9,240,029	(118,516)	10,041,664
Construction in Progress	<u>33,615</u>	<u>-0-</u>	<u>33,615</u>	<u>-0-</u>
Net Property, Plant and Equipment	<u>9,155,128</u>	<u>9,240,029</u>	<u>(84,901)</u>	<u>10,041,664</u>

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

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

Capital Assets (Continued)

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

	<u>Estimated Total Cost</u>	<u>Unrestricted Net Position Utilized</u>	<u>Debt Authorization</u>	<u>Other Sources</u>
Water Fund:				
Well Redevelopment & Upgrades	150,000			150,000
Misc. Upgrades to Water System Infrastructure	20,000			20,000
Misc. Building Upgrades	10,000			10,000
Misc. Security Equipment	5,000			5,000
Misc. Paving & Concrete Repairs	10,000			10,000
Chlorine Analyzers	10,000			10,000
Misc. Computer and Office Equipment	5,000			5,000
Water Accountability Act Projects	15,000			15,000
Miscellaneous Laboratory Upgrades	5,000			5,000
Rehabilitation of Lab	62,500			62,500
Well #3 PFAS Treatment	6,000,000		6,000,000	
SCADA System Update	<u>20,000</u>			<u>20,000</u>
Total	<u>6,312,500</u>		<u>6,000,000</u>	<u>312,500</u>
Sewer Fund:				
Thickener Bldg. Transfer Pump Upgrade	25,000			25,000
South Station Grinder Upgrade	23,000	23,000		
Misc. Treatment Plant Upgrades	25,000	25,000		
Misc. Building Upgrades	15,000	15,000		
Misc. Security Equipment	5,000	5,000		
Sewer Inspection Camera	20,000	20,000		
Misc. Computer and Office Equipment	5,000	5,000		
North Pump Station Replacement	1,500,000		1,500,000	
Misc. Upgrades to Pump Stations	50,000	50,000		
Rehabilitation of Lab	5,000	5,000		62,500
Miscellaneous Laboratory Upgrades	187,500	187,500		
2024 F350 Pickup Truck	38,000	38,000		20,000
Aeration Basin Blow Upgrade	300,000	300,000		
SCADA System Upgrade	20,000	20,000		
WTP Sludge Thickener Electrical	100,000			100,000
Generator Transfer Switch	<u>50,000</u>	<u>50,000</u>		
Total	<u>2,368,500</u>	<u>743,500</u>	<u>1,500,000</u>	<u>207,500</u>
Total Proposed Capital Budget	<u>\$8,681,000</u>	<u>\$743,500</u>	<u>\$7,500,000</u>	<u>\$437,500</u>

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)**

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

Debt Administration

At May 31, 2024, the Authority had outstanding New Jersey Infrastructure Bank Loans in the amount of \$2,159,172. The debt service matures in the year 2035. Interest rates range from 0.00% to 5.00%. The Authority also has a N.J. Department of Environment Protection Dam Restoration Loan outstanding in the amount of \$491,350. The Loan has a term of 20 years and a rate of 2.00%.

Contacting the Authority

This financial report is designed to provide our customers and creditors with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the fees it receives. If you have any questions about this report or need additional information, contact the Pompton Lakes Borough Municipal Utilities Authority, 2000 Lincoln Avenue, Pompton Lakes, New Jersey 07442.

Financial Statements

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The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Statement of Net Position

For the Fiscal Year Ended May 31,

	<u>2024</u>	<u>2023</u>
<u>ASSETS</u>		
<u>Current Assets:</u>		
<u>Unrestricted:</u>		
Cash and Cash Equivalents	\$ 2,211,426	2,881,556
Accounts Receivable-User Charges	141,360	162,518
Miscellaneous Receivables	3,885	14,693
Prepaid Expenses	<u>87,066</u>	<u>82,076</u>
Total Unrestricted Assets	<u>2,443,737</u>	<u>3,140,843</u>
<u>Restricted:</u>		
<u>Customer Deposits:</u>		
Cash and Cash Equivalents	<u>55,252</u>	<u>54,056</u>
<u>Escrow Deposits:</u>		
Cash and Cash Equivalents	<u>34,062</u>	<u>34,124</u>
Total Current Assets:	<u>\$ 2,533,051</u>	<u>3,229,023</u>
<u>Non-Current Assets:</u>		
<u>Capital Assets:</u>		
Property, Plant and Equipment	\$ 32,314,024	31,585,071
Less: Accumulated Depreciation	(23,192,511)	(22,345,042)
Construction in Progress	<u>33,615</u>	<u> </u>
Total Capital Assets	<u>9,155,128</u>	<u>9,240,029</u>
TOTAL ASSETS	<u>\$ 11,688,179</u>	<u>12,469,052</u>
<u>DEFERRED OUTFLOWS OF RESOURCES</u>		
Pension Related Items	362,271	545,876
OPEB Related Items	<u>1,845,004</u>	<u>1,125,090</u>
TOTAL DEFERRED OUTFLOWS OF RESOURCES	<u>2,207,275</u>	<u>1,670,966</u>

See accompanying notes to the financial statements.

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Statement of Net Position

Exhibit A
Page 2 of 2

For the Fiscal Year Ended May 31.

	2024	2023
<u>LIABILITIES</u>		
<u>Current Liabilities:</u>		
Payable From Unrestricted Assets:		
Accounts Payable	\$ 59,375	72,065
Accrued Interest on Bonds Payable	14,944	12,281
Accrued Liabilities:		
Compensated Absences	29,400	46,454
Loans Payable - Current Portion	292,043	285,586
Total Current Liabilities Payable	395,762	416,386
From Unrestricted Assets		
Payable From Restricted Assets:		
Customer Deposits	55,252	54,056
Escrow Deposits Payable	34,062	34,124
Total Current Liabilities Payable	89,314	88,180
From Restricted Assets		
<u>Non-Current Liabilities :</u>		
Net Pension Liability	2,266,029	2,325,360
Net OPEB Liability	3,454,655	3,039,838
Long-Term Portion of Loans Payable	2,358,479	2,651,522
Total Non-Current Liabilities	8,079,163	8,016,720
TOTAL LIABILITIES	\$ 8,564,239	8,521,286
<u>DEFERRED INFLOWS OF RESOURCES</u>		
Pension Related Items	207,642	489,110
OPEB Related Items	2,539,210	2,298,146
Gain on Advanced Refunding of Debt	29,862	35,640
Unamortized Bond Premium	55,160	62,863
TOTAL DEFERRED INFLOWS OF RESOURCES	2,831,874	2,885,759
<u>NET POSITION</u>		
Net Investment in Capital Assets	6,419,584	6,204,418
Unrestricted:		
Designated	1,094,500	1,283,656
Undesignated	(5,014,743)	(4,755,101)
TOTAL NET POSITION	\$ 2,499,341	2,732,973

See accompanying notes to the financial statements.

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Statement of Revenues, Expenses and Changes in Net Position

For The Fiscal Year Ended May 31.

	<u>2024</u>	<u>2023</u>
Operating Revenues:		
Water Charges	\$ 826,372	823,914
Sewer Charges	2,231,013	2,237,860
Connection Fees	174,988	7,278
Other	259,721	268,366
Interest On Delinquent Accounts	24,660	28,104
Interest Income	43,719	16,441
Total Operating Revenues	<u>3,560,473</u>	<u>3,381,963</u>
Operating Expenses:		
Costs of Providing Services	1,835,478	1,569,761
Administrative, General and Employee Benefits	1,081,546	896,922
Depreciation	847,470	883,331
Total Operating Expenses	<u>3,764,494</u>	<u>3,350,014</u>
Operating Income (Loss)	<u>(204,021)</u>	<u>31,949</u>
Non-Operating Revenues (Expenses):		
Interest Expense	(43,093)	(42,737)
Amortization	13,482	13,482
Non-Operating Income / (Loss)	<u>(29,611)</u>	<u>(29,255)</u>
Change in Net Position	(233,632)	2,694
Net Position - June 1,	<u>2,732,973</u>	<u>2,730,279</u>
Net Position - May 31,	<u>\$ 2,499,341</u>	<u>2,732,973</u>

See accompanying notes to the financial statements.

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The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Statement Of Cash Flows

Exhibit C
Page 1 of 2

For The Fiscal Year Ended May 31,

	<u>2024</u>	<u>2023</u>
<u>Cash Flow from Operating Activities:</u>		
Cash received from customers and users	\$ 3,548,720	3,396,644
Interest received	43,719	16,441
Cash Paid to employees	(1,344,234)	(1,245,337)
Cash Paid for employee benefits	(616,098)	(568,136)
Cash Paid to suppliers and others	(1,211,519)	(1,002,429)
Interest paid	(40,430)	(44,017)
Net Cash Provided by Operating Activities	<u>380,158</u>	<u>553,166</u>
<u>Cash Flow from Investing Activities:</u>		
Purchase of Property, Plant and Equipment	(762,568)	(81,696)
Net Cash Provided by (used in) Investing Activities	<u>(762,568)</u>	<u>(81,696)</u>
<u>Cash Flow from Financing Activities:</u>		
Repayment of NJIB and Dam Restoration Loans	(286,586)	(264,807)
Net Cash Used in Financing Activities	<u>(286,586)</u>	<u>(264,807)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(668,996)	206,663
Cash and Cash Equivalents at Beginning of Year	<u>2,969,736</u>	<u>2,763,073</u>
Cash and Cash Equivalents at End of Year	<u>\$ 2,300,740</u>	<u>2,969,736</u>
 <u>Reconciliation to Statement of Net Position -</u>		
<u>Cash and Cash Equivalents:</u>		
Unrestricted Assets	\$ 2,211,426	2,881,556
Restricted Assets:		
Customer Deposit Account	55,252	54,056
Escrow Accounts	34,062	34,124
	<u>\$ 2,300,740</u>	<u>2,969,736</u>

See accompanying notes to the financial statements.

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Statement Of Cash Flows

Exhibit C
Page 2 of 2

For The Fiscal Year Ended May 31,

	2024	2023
Reconciliation of operating income to net cash provided (used) by operating activities		
Operating Income/(Loss)	\$ (204,021)	31,949
Adjustments to Reconcile Change in Net Position to Net Cash Provided by Operating Activities:		
Depreciation	847,470	883,331
Pension Adjustment	(157,194)	(282,744)
OPEB Adjustment	(64,033)	(37,557)
Interest Expense	(43,093)	(42,737)
(Increase) Decrease In:		
Accounts Receivable-User Charges	21,158	37,160
Miscellaneous Receivables	10,808	(6,038)
Prepaid Expenses	(4,990)	(33,238)
Increase (Decrease) In:		
Accounts Payable - Unrestricted	(12,690)	(11,539)
Accrued Interest Payable	2,663	(1,280)
Customer Deposits	1,196	2,432
Escrow Deposits Payable	(62)	6,128
Compensated Absences Payable	(17,054)	7,299
	380,158	553,166
Net Cash Provided by Operating Activities	\$ 380,158	553,166

See accompanying notes to the financial statements.

Notes to Financial Statements

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THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Pompton Lakes Borough Municipal Utilities Authority was created to construct and operate a water distribution system and a wastewater collection and treatment system to serve the Borough of Pompton Lakes, New Jersey. The Authority bills and collects its revenue only from the users of the systems. On May 1, 1993 the Authority entered into a service contract with the Borough of Pompton Lakes.

As a public body, the Authority is exempt from both federal and state corporation income taxes under existing statute.

A. Basis of Presentation and Accounting

Basis of Presentation

The financial statements of the Pompton Lakes Borough Municipal Utilities Authority have been prepared in accordance with generally accepted accounting principles (GAAP) applicable to enterprise funds of state and local governmental units. Enterprise funds are used to account for operations that are financed and operated in a manner similar to private business enterprises - where the intent of the governing body is that the costs (expenses, including depreciation) of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, or where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and or net income is appropriate for capital maintenance, public policy, accountability or other purposes. The Governmental Accounting Standards Board GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's significant accounting policies are described below.

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

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(continued)

A. Basis of Presentation and Accounting, (continued)

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

Basis of Accounting

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

Reporting Entity

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

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(continued)

A. Basis of Presentation and Accounting, (continued)

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

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

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

The Authority is financially accountable to the Borough of Pompton Lakes (the "Borough") since the Borough appoints a voting majority of the Authority's board, and (1) the Borough is able to significantly influence the programs or services performed or provided by the Authority; or (2) the Borough is legally entitled to or can otherwise access the Authority's resources; the Borough is legally obligated or has otherwise assumed the responsibility to finance the deficits of, or provide financial support to, the Authority; or the Borough is obligated for the debt of the Authority. Component units may also include organizations that are fiscally dependent on the Borough in that the Borough approves the budget, the issuance of debt or the levying of taxes. Based on the foregoing criteria, the Authority is a component unit of the Borough.

B. Grants

Contributions received from various sources as grants are recorded in the period received. Developer financed construction is recorded in the period in which applicable construction costs are incurred. Donated assets are recorded at fair market value at the date of the gift. Grants not externally restricted and utilized to finance operations are identified to non-operating purposes are recorded as contributed capital and identified as grants-in-aid.

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(continued)

C. Accounts Receivable

Bad debts are charged to operations in the year in which the account is determined uncollectable. If the reserve method of accounting for uncollectable accounts were used, it would not have a material effect on the financial statements.

D. Inventories

Inventories of materials and supplies are considered expenditures when purchased.

E. Property, Plant and Equipment

Property, plant and equipment is stated at cost which included direct construction costs and other expenditures related to construction.

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

Depreciation is determined on the straight-line method for all property, plant equipment. Depreciation is provided over the following estimated useful lives:

Water and Sewer Systems	75 Years
Treatment Plants	40 Years
Buildings	40 Years
Equipment	5-40 Years

F. Restricted Accounts

The Authority has established the following restricted accounts:

Customer deposit for monies received from customer to assure payment or performance. Deposits are retained in the account until the customer withdraws from the system and satisfies all outstanding debts to the Authority.

Escrow deposit accounts for the payment of costs of various projects.

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(continued)

G. Accrued Vacation Benefits

Pompton Lakes Borough Municipal Utilities Authority employees are granted sick and vacation leave in varying amounts. Employees are permitted to accumulate sick days, however no reimbursement is given upon termination or resignation. In the event of termination, an employee is reimbursed for accumulated vacation days. Accrued vacation benefits amounting to \$29,400 and \$46,454, as of May 31, 2024 and 2023 respectively, have been recorded as expenditures and liabilities of the Authority.

H. Allowance for Doubtful Accounts

The Authority does not provide an allowance for doubtful accounts because of the Authority's ability to compel payments through the lien or shut off process.

I. Operating Fund Budget

The budget amounts included in the schedule of operating revenues and cost funded by operating revenues compared to budget were approved in accordance with the requirements of the "Local Finance Board" of the State of New Jersey, and were adopted by the Commissioners after a public hearing.

J. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that effect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the balance sheet date, and reported amounts of revenues and expenses during the reporting period. Estimates are used to determine depreciation expense and certain claims and judgment liabilities, among other accounts. Actual results may differ from those estimates.

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(continued)

K. 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 bonds 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 debt covenants), grants, contributors, or laws or regulations of other governments or b) imposed by law through constitutional provisions or enabling legislation.
- 3) Unrestricted - any other net position that does not meet the definition of "restricted" or "net investment in capital assets."

L. Recent Accounting Pronouncements

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

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

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

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)

1. ORGANIZATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES,
(continued)

L. Recent Accounting Pronouncements, (continued)

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

M. Deferred Outflows and Deferred Inflows of Resources

The Statement of Net Position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflow of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources:

Defined Benefit Pension Plans - The difference between expected (actuarial) and actual experience, changes in actuarial assumptions, net difference between projected (actuarial) and actual earnings on pension plan investments, changes in the Authority's proportion of expenses and liabilities to the pension as a whole, differences between the Authority's pension contribution and its proportionate share of contributions, and the Authority's pension contributions subsequent to the pension valuation measurement date.

Deferred Loss/Gain on Refunding of Bonds - Deferred losses and gains on refunding arising from the issuance of revenue refunding bonds, are recorded as deferred outflows of resources or deferred inflows of resources, and are amortized in a systematic and rational method as a component of interest expense.

Bond Premiums - Premiums received in connection with the issuance of long-term debt are recorded as deferred inflows of resources. The premiums are amortized in a systematic and rational method as a component of interest expense.

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)

2. CASH AND CASH EQUIVALENTS

Deposits - The Authority's deposits are insured through either the Federal Deposit Insurance Corporation (FDIC), Securities Investor Protection Corporation (SIPC) or New Jersey's Governmental Unit Deposit Protection Act (GUDPA). The Authority is required to deposit their funds in a depository which is protecting such funds pursuant to GUDPA. The New Jersey Governmental Unit Deposit Protection Act requires all banks doing business in the State of New Jersey to pledge collateral equal to at least 5% of the average amount of its public deposits and 100% of the average amount of its public funds in excess of the lessor of 75% of its capital funds or \$200 million for all deposits not covered by the FDIC. Bank balances are insured up to \$250,000 in the aggregate by the FDIC for each bank. SIPC replaces cash claims up to a maximum of \$250,000 for each failed brokerage firm. At May 31, 2024 and 2023, the book value of the Authority's deposits were \$2,300,740 and \$2,969,736, respectively, and bank balances of the Authority's cash and deposits amounted to \$2,428,833 and \$3,051,375, respectively.

The Authority's deposits which are displayed on the balance sheet as "cash and cash equivalents" are categorized as:

	<u>2024</u>	<u>2023</u>
Insured:		
Restricted	\$89,314	\$88,180
Unrestricted	<u>2,211,426</u>	<u>2,881,556</u>
	<u>\$2,300,740</u>	<u>\$2,969,736</u>

As of May 31, 2024, cash and cash equivalents consist of the following:

Cash - Checking	2,220,590
New Jersey Cash Management Fund	49,650
Petty Cash	<u>500</u>
	<u>\$2,300,740</u>

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)

2. CASH AND CASH EQUIVALENTS, (continued)

Custodial Credit Risk - Deposits - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The Authority's policy is based on New Jersey Statutes requiring cash be deposited only in New Jersey based on banking institutions that participate in New Jersey Governmental Depository Protection Act (GUDPA) or in qualified investments established in New Jersey Statutes 40A:5-15.1(a) that are treated as cash equivalents. As of May 31, 2024 and 2023, \$-0- of the Authority's bank balance of \$2,428,833 and \$3,051,375, respectively, was exposed to custodial credit risk.

New Jersey Cash Management Fund - All investments in the Fund are governed by the regulations of the Investment Council, which prescribe specific standards designed to insure the quality of investments and to minimize the risks related to investments. In all the years of the Division of Investment's existence, the Division has never suffered a default or principal interest on any short-term security held by it due to the bankruptcy of a securities issuer; nevertheless, the possibility always exists, and for this reason a reserve is being accumulated as additional protection for the "Other-than-State" participants. In addition to the Council regulations, the Division sets further standards for specific investments and monitors the credit of all eligible securities issuers on a regular basis. As of May 31, 2024 the Authority has \$79,650 on deposit with the New Jersey Cash Management Fund.

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**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)**

3. PROPERTY, PLANT AND EQUIPMENT

Activity for property, plant and equipment is summarized below for fiscal years 2024 and 2023:

	Balance <u>May 31, 2023</u>	Additions	Deletions	Balance <u>May 31, 2024</u>
Capital Assets Being Depreciated:				
Buildings, Pumps, Mains	\$25,899,777	\$145,218	\$	\$26,044,995
Equipment and Vehicles	<u>5,619,642</u>	<u>43,698</u>	<u> </u>	<u>5,663,340</u>
Total Capital Assets Being Depreciated	<u>31,519,419</u>	<u>188,916</u>	<u> </u>	<u>31,708,335</u>
Capital Assets Not Being Depreciated:				
Land	65,652	540,037		605,689
Construction in Progress	<u>0</u>	<u>33,615</u>	<u> </u>	<u>33,615</u>
Total Capital Assets Not Being Depreciated	<u>65,652</u>	<u>573,652</u>	<u>0</u>	<u>639,304</u>
Total Capital Assets	31,585,071	762,568	0	32,347,639
Accumulated Depreciation	<u>(22,345,042)</u>	<u>(847,469)</u>	<u> </u>	<u>(23,192,511)</u>
Net Property, Plant and Equipment	<u>\$9,240,029</u>	<u>(\$84,901)</u>	<u>\$0</u>	<u>\$9,155,128</u>

	Balance <u>May 31, 2022</u>	Additions	Deletions	Balance <u>May 31, 2023</u>
Capital Assets Being Depreciated:				
Buildings, Pumps, Mains	\$25,836,109	\$63,668	\$	\$25,899,777
Equipment and Vehicles	<u>5,601,614</u>	<u>18,028</u>	<u> </u>	<u>5,619,642</u>
Total Capital Assets Being Depreciated	<u>31,437,723</u>	<u>81,696</u>	<u> </u>	<u>31,519,419</u>
Capital Assets Not Being Depreciated:				
Land	65,652			65,652
Construction in Progress	<u>0</u>	<u> </u>	<u> </u>	<u>0</u>
Total Capital Assets Not Being Depreciated	<u>65,652</u>	<u>0</u>	<u>0</u>	<u>65,652</u>
Total Capital Assets	31,503,375	81,696	0	31,585,071
Accumulated Depreciation	<u>(21,461,711)</u>	<u>(883,331)</u>	<u> </u>	<u>(22,345,042)</u>
Net Property, Plant and Equipment	<u>\$10,041,664</u>	<u>(\$801,635)</u>	<u>\$0</u>	<u>\$9,240,029</u>

4. UNAMORTIZED PREMIUM - DEFERRED INFLOW OF RESOURCES

The Authority received a premium of \$40,422 in connection with the Series 2009 NJEIT financing; \$41,356 in connection with the Series 2010 NJEIT financing; \$46,956 in connection with the Series 2012 NJEIT financing; and \$25,338 in connection with the Series 2016 NJEIT financing. These premiums are being amortized on a straight-line basis over the remaining lives of the bonds. Accumulated amortization at May 31, 2024 is \$98,912 and at May 31, 2023 is \$91,209. The unamortized balance is shown on the Statement of Net Position as a deferred inflow of resources.

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(continued)

5. LONG-TERM DEBT

On December 2, 2009, the Authority issued \$735,000 Series 2009A (Trust) and \$2,112,891 Series 2009A (Fund) subordinate bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds were issued to fund various improvements to the Authority's facilities. The Series 2009A Fund Bonds had \$1,408,594 in principal forgiven through the New Jersey Infrastructure Trust Program. In 2019, the NJEIT refunded the outstanding bonds, resulting in a principal savings credit of \$25,000.

On February 23, 2010, the Authority issued \$71,914 Series 2010DL (Trust) and \$204,192 Series 2010DL (Fund) subordinate bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds were issued to fund various improvements to the Authority's facilities.

On December 2, 2010, the Authority issued \$415,000 Series 2010B (Trust) and \$420,860 (Fund) subordinate bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds were issued to fund various improvements to the Authority's facilities. The Series 2010B Fund Bonds had \$210,430 in principal forgiven through the New Jersey Infrastructure Trust Program. In 2017, the NJEIT refunded the outstanding bonds, resulting in a principal savings credit of \$26,000.

On May 3, 2012, the Authority issued \$370,000 Series 2012A (Trust) and \$1,157,873 Series 2012A (Fund) subordinate bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds were issued to fund various improvements to the Authority's facilities. In 2016, \$13,763 in unspent funds were deobligated and the Series 2012A (Fund) loan was reduced. In 2022, the NJEIT refunded the outstanding bonds, resulting in a principal savings credit of \$11,418.

On May 26, 2016, the Authority issued \$260,000 Series 2016A (Trust) and \$799,313 Series 2012A (Fund) subordinate bonds through the New Jersey Environmental Infrastructure Trust Program. These bonds were issued to fund various improvements to the Authority's facilities.

In March of 2022, the Authority received a loan in the amount of \$526,036 under the New Jersey Department of Environmental Protection 2003 Dam Restoration Program. This loan was used to fund the restoration of the Twin Lakes Dam. This loan has an interest rate of 2.00% with semi-annual repayment due in June and December of each year.

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(continued)

5. LONG-TERM DEBT, (continued)

The following is a summary of the Authority's long-term debt for the fiscal years ended May 31, 2024 and 2023:

	Balance May 31, 2023	Issued	Deobligated/ Retired	Balance May 31, 2024
NJEIT Trust Loan Series 2009A	\$323,000	\$	\$43,000	\$280,000
NJEIT Fund Loan Series 2009A	251,536		37,731	213,805
NJEIT Trust - Direct Loan	31,425		4,004	27,421
NJEIT Fund - Direct Loan	71,647		10,747	60,900
NJEIT Trust Loan Series 2010	205,000		23,000	182,000
NJEIT Fund Loan Series 2010	84,275		11,273	73,002
NJEIT Trust Loan Series 2012	198,940		19,494	179,446
NJEIT Fund Loan Series 2012	523,820		62,029	461,791
NJEIT Trust Loan Series 2016A-1	200,000		10,000	190,000
NJEIT Fund Loan Series 2016A-1	532,876		42,069	490,807
NJDEP Dam Restoration Loan	514,589		23,239	491,350
	<u>\$2,937,108</u>	<u>\$0</u>	<u>\$286,586</u>	<u>\$2,650,522</u>

	Balance May 31, 2022	Issued	Deobligated/ Retired	Balance May 31, 2023
NJEIT Trust Loan Series 2009A	\$361,000	\$	\$38,000	\$323,000
NJEIT Fund Loan Series 2009A	289,266		37,730	251,536
NJEIT Trust - Direct Loan	35,295		3,870	31,425
NJEIT Fund - Direct Loan	82,394		10,747	71,647
NJEIT Trust Loan Series 2010	223,000		18,000	205,000
NJEIT Fund Loan Series 2010	95,548		11,273	84,275
NJEIT Trust Loan Series 2012	230,000		31,060	198,940
NJEIT Fund Loan Series 2012	585,849		62,029	523,820
NJEIT Trust Loan Series 2016A-1	210,000		10,000	200,000
NJEIT Fund Loan Series 2016A-1	574,945		42,069	532,876
NJDEP Dam Restoration Loan	526,036		11,447	514,589
	<u>\$3,213,333</u>	<u>\$0</u>	<u>\$276,225</u>	<u>\$2,937,108</u>

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YEARS ENDED MAY 31, 2024 AND 2023
(continued)

5. LONG-TERM DEBT, (continued)

The Authority has issued and outstanding the following bonds and loans as of May 31, 2024 and 2023:

	<u>Interest</u> <u>Rate</u>	<u>2024</u>	<u>2023</u>
NJEIT Trust Loan Series 2009A	3.75% - 4.00%	\$280,000	\$323,000
NJEIT Fund Loan Series 2009A	0.00%	213,805	251,536
NJEIT Trust - Direct Loan	3.72% - 4.18%	27,421	31,425
NJEIT Fund - Direct Loan	0.00%	60,900	71,647
NJEIT Trust Loan Series 2010	5.00%	182,000	205,000
NJEIT Fund Loan Series 2010	0.00%	73,002	84,275
NJEIT Trust Loan Series 2012	3.00% - 5.00%	179,446	198,940
NJEIT Fund Loan Series 2012	0.00%	461,791	523,820
NJEIT Trust Loan Series 2016A-1	2.00% - 5.00%	190,000	200,000
NJEIT Fund Loan Series 2016A-1	0.00%	490,807	532,876
NJDEP Dam Restoration Loan	2.00%	<u>491,350</u>	<u>514,589</u>
 Net Carrying Amount of Debt		 <u>\$2,650,522</u>	 <u>\$2,937,108</u>
 Current Portion		 292,043	 285,586
Long-Term Portion		<u>2,358,479</u>	<u>2,651,522</u>
		<u>\$2,650,522</u>	<u>\$3,213,333</u>

Presented below is a summary of debt service requirements to maturity by year.

<u>May 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2025	\$292,043	\$40,058	332,101
2026	292,515	35,181	327,696
2027	302,667	30,098	332,765
2028	306,119	24,914	331,033
2029	306,814	19,967	326,781
2030-2034	808,595	48,845	857,440
2035-2039	260,679	17,714	278,393
2040-2042	<u>81,090</u>	<u>2,449</u>	<u>83,539</u>
Total	<u>\$2,650,522</u>	<u>\$219,226</u>	<u>\$2,869,748</u>

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6. GAINS ON DEBT DEFEASANCE

Accounting losses and gains on advanced refundings of debt are being amortized over the life of the new debt. The unamortized balances as of May 31, 2024 are as follows:

Gain on NJEIT Refunding (Series 2009)	\$13,636
Gain on NJEIT Refunding (Series 2010)	7,091
Gain on NJEIT Refunding (Series 2012)	<u>9,135</u>
	<u>\$29,862</u>

These unamortized gains are shown on the statement of net position as deferred inflows of resources.

7. PENSION PLANS

Description of Plans:

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

Public Employees' Retirement System (PERS)

Plan Description

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

Benefits Provided

The vesting and benefit provisions are set by N.J.S.A. 43:15A. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

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

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7. PENSION PLANS, (continued)

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to Tiers 1 and 2 members upon reaching age 60 and to Tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to Tier 4 members upon reaching age 62 and to Tier 5 members upon reaching age 65. Early retirement benefits are available to Tiers 1 and 2 members before reaching age 60, to Tiers 3 and 4 before age 62 with 25 years of service credit and Tier 5 with 30 or more years of service credit before 65.

Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Defined Contribution Retirement Program

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

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

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

Contribution Requirements

The contribution policy is set by laws of the State of New Jersey and, in most retirement systems, contributions are required by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation. The pension funds provide for employee contributions based on 5.5% for PERS. This amount will increase to 6.5% plus an additional 1% phased in over 7 years beginning 2012, of the employee's annual compensation, as defined by law. Employers are required to contribute at an actuarially determined rate in all Funds. The actuarially determined employer contribution includes funding for cost-of-living adjustments and noncontributory death benefits in the PERS.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)

7. PENSION PLANS, (continued)

Contribution Requirements, (continued)

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

<u>Year</u>	<u>PERS</u>	<u>DCRP</u>
2024	\$209,095	263
2023	194,309	251
2022	157,436	255

At May 31, 2024 and 2023, the Authority had a liability of \$2,266,029 and \$2,325,360 for its proportionate share of the PERS net pension liability. The net pension liability was measured as of June 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. 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 governmental entities, actuarially determined. At June 30, 2023, the Authority's proportion was .0156446491 percent, which was an increase of .0002361161 percent from its proportion measured as of June 30, 2022.

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

Public Employees Retirement System (PERS)

For the year ended May 31, 2024, the Authority recognized pension expense of \$51,901. At May 31, 2024, deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$21,666	\$9,263
Changes of assumptions	4,978	137,331
Net difference between projected and actual earnings on pension plan investments	10,435	
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	<u>325,192</u>	<u>61,048</u>
Total	<u>\$362,271</u>	<u>\$207,642</u>

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**NOTES TO FINANCIAL STATEMENTS
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7. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

Amounts reported as deferred outflows of resources related to pensions resulting from contributions subsequent to the measurement date (June 30, 2023) will be recognized as a reduction of the net pension liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions (excluding changes in proportion) will be recognized in pension expense as follows:

Year ended May 31:	
2024	\$ (119,638)
2025	(66,778)
2026	93,317
2027	(16,700)
2028	284

Changes in Proportion

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

Additional Information

Local Group Collective balances net of nonemployer (State of New Jersey) balances at June 30, 2023 and June 30, 2022 are as follows:

	<u>June 30, 2023</u>	<u>June 30, 2022</u>
Collective deferred outflows of resources	\$1,080,204,730	\$1,660,772,008
Collective deferred inflows of resources	1,780,216,457	3,236,303,935
Collective net pension liability	14,484,374,047	15,091,376,611
Authority's Proportion	.0156446491%	.0154085330%

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(continued)

7. **PENSION PLANS, (continued)**

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

Public Employees Retirement System (PERS), (continued)

Actuarial Assumptions

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

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

The actuarial assumptions used in the June 30, 2022 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. It is likely that future experience will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

Mortality Rates

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

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7. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

Long-Term Rate of Return

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.98%
Non-U.S. Developed Market Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Market Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real 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 Mitigation Strategies	3.00%	6.21%

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7. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

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

	June 30, 2023		
	1% Decrease <u>6.00%</u>	At Current Discount Rate <u>7.00%</u>	1% Increase <u>8.00%</u>
Authority's proportionate share of the pension liability	\$2,974,758	\$2,266,029	\$1,698,173

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**NOTES TO FINANCIAL STATEMENTS
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7. PENSION PLANS, (continued)

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

Public Employees Retirement System (PERS), (continued)

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The financial report may be accessed at www.state.nj.us/treasury/pensions.

8. OTHER POST EMPLOYMENT BENEFITS

In addition to the pension benefits described in Note 8, the Authority provides post employment health care benefits in accordance with the provisions of Ch. 88, P.L. 1974 as amended by Chapter 436, P.L. 1981, at its cost. On December 11, 2007, the Authority adopted the provisions of N.J.S.A. 52:14-17.38 and adhered to the rules and regulations promulgated by the State Health Benefits Commission to implement the provisions of that law. This resolution affects employees as shown in Chapter 48, P.L. 1999.

Chapter 48, P.L. 1999, provides eligible participating local employers considerable flexibility in managing their postretirement medical costs. It also brings State Health Benefits Program (SHBP) and School Employees' Health Benefits Program (SEHBP) eligibility standards for employer-paid coverage into alignment with local government laws.

Adoption of this Resolution does not free the Pompton Lakes Municipal Utilities Authority of the obligation to pay for postretirement medical benefits of retirees or employees who qualified for those payments under any Chapter 88 or Chapter 48 Resolution previously adopted by the governing body.

The Resolution will remain in effect until properly amended or revoked with the State Health Benefits Program. The Pompton Lakes Municipal Utilities Authority recognizes that, while it remains in the State Health Benefits Program, it is responsible for providing the payment for postretirement medical coverage as listed in the Chapter 48 Resolution Addendum for all employees who qualify for this coverage while this Resolution is in force.

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8. OTHER POST EMPLOYMENT BENEFITS, (continued)

General Information about the OPEB Plan

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* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) Annual Comprehensive Financial Report (ACFR), which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

The Plan provides medical and prescription drug 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.

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 provides 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.

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NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)

8. OTHER POST EMPLOYMENT BENEFITS, (continued)

Total OPEB Liability

At May 31, 2024 and 2023, the Authority had a liability of \$3,454,655 and \$3,039,838, respectively, for its proportionate share of the non-special funding net OPEB liability. The net OPEB liability was measured as of June 30, 2023 and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The Authority's proportion of the net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating employers a in the plan. At June 30, 2023, the Authority's proportion was .023021 percent, which is an increase of .004198 percent from its proportion measured at June 30, 2022.

For the years ended May 31, 2024 and 2023, the Authority recognized OPEB (benefit)/expense of \$(29,249) and \$(4,690), respectively. At May 31, 2024 and 2023, deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	2024	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$159,311	\$938,172
Changes of assumptions	447,507	976,520
Net difference between projected and actual earnings on OPEB plan investments		570
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	<u>1,238,186</u>	<u>623,948</u>
Total	<u>\$1,845,004</u>	<u>\$2,539,210</u>

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)

8. OTHER POST EMPLOYMENT BENEFITS, (continued)

	2023	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Difference between expected and actual experience	\$156,981	\$563,457
Changes of assumptions	405,679	1,037,438
Net difference between projected and actual earnings on OPEB plan investments	800	
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions	<u>561,630</u>	<u>697,251</u>
Total	<u>\$1,125,090</u>	<u>\$2,298,146</u>

Amounts reported as deferred outflows of resources related to OPEB resulting from contributions subsequent to the measurement date will be recognized as a reduction of the OPEB liability in the subsequent year. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB (excluding changes in proportion) will be recognized in OPEB expense as follows:

Year ended June 30:	
2024	\$(391,929)
2025	(321,014)
2026	(173,663)
2027	(81,407)
2028	(164,324)
Thereafter	(176,107)

Changes in Proportion

The previous amounts do not include employer specific deferred outflows of resources and deferred inflows of resources related to changes in proportion. These amounts should be recognized (amortized) by each employer over the average of the expected remaining service lives of all plan members, which is 7.89, 7.82, 7.82, 7.87, 8.05, 8.14 and 8.04 years for 2023, 2022, 2021, 2020, 2019, 2018 and 2017 amounts, respectively.

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)

8. OTHER POST EMPLOYMENT BENEFITS, (continued)

Actual Assumptions and Other Inputs

The total OPEB liability for the June 30, 2023 measurement date was determined by an actuarial valuation as of July 1, 2022, which rolled forward to June 30, 2023. The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. 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)	
Rate for all future years	2.75% to 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 the defined benefit plan that the member is enrolled in and his or her age.

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

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)

8. OTHER POST EMPLOYMENT BENEFITS, (continued)

Discount Rate

The discount rate for June 30, 2023 and 2022 was 3.65% and 3.54%, respectively. This represents the municipal bond return rate as chosen by the Division. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	June 30, 2023		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>2.65%</u>	<u>3.65%</u>	<u>4.65%</u>
Authority's proportionate share of Net OPEB liability	\$4,001,592	\$3,454,655	\$3,014,729
	June 30, 2022		
	1%	At Current	1%
	Decrease	Discount Rate	Increase
	<u>2.54%</u>	<u>3.54%</u>	<u>4.54%</u>
Authority's proportionate share of Net OPEB liability	\$3,523,785	\$3,039,838	\$2,650,458

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)

8. OTHER POST EMPLOYMENT BENEFITS, (continued)

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rates:

The following presents the Authority's proportionate share of the net OPEB liability as of June 30, as well as what the Authority's proportionate share of the net OPEB liability would be if it were calculated using a healthcare trend rate that is 1-percentage point lower or 1 percentage point higher than the current rate:

	June 30, 2023		
	1% <u>Decrease</u>	Healthcare Cost <u>Trend Rate</u>	1% <u>Increase</u>
Authority's proportionate share of Net OPEB liability	\$2,936,051	\$3,454,655	\$4,118,628
	June 30, 2022		
	1% <u>Decrease</u>	Healthcare Cost <u>Trend Rate</u>	1% <u>Increase</u>
Authority's proportionate share of Net OPEB liability	\$2,578,786	\$3,039,838	\$3,630,316

9. COMMITMENTS AND CONTINGENT LIABILITIES

The Authority's attorney has advised them that there are no known material commitments or contingencies that would have a material effect on the financial statements.

10. RISK MANAGEMENT

The Pompton Lakes Borough Municipal Utilities Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Pompton Lakes Borough Municipal Utilities Authority is currently a member of the New Jersey Utility Authorities Joint Insurance Fund, a public entity risk pool currently composed of 46 member authorities. The Fund provides members with Property, Liability, and Workers Compensation Insurance, and Public Officials Liability Insurance.

**THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)**

**NOTES TO FINANCIAL STATEMENTS
YEARS ENDED MAY 31, 2024 AND 2023
(continued)**

11. DESIGNATION OF UNRESTRICTED NET POSITION

The Authority's General and Operating Accounts maintain funds that, although may be spent for any lawful purpose by the Authority, have been designated by the Board as follows:

	<u>2024</u>	<u>2023</u>
Appropriated in Subsequent Year's Budget	\$743,500	\$932,656
Designated for Retiree Health Benefits	<u>351,000</u>	<u>351,000</u>
	<u>\$1,094,500</u>	<u>\$1,283,656</u>

At May 31, 2024, the Authority reported a total amount of \$1,094,500 of Unrestricted Net Position — Designated for the purposes describe above.

The remaining undesignated portion of the Authority's net position was comprised of the following at May 31, 2024 and 2023:

	<u>2024</u>	<u>2023</u>
Post-Retirement Employer Health Benefits Related	\$(4,148,861)	\$(4,212,894)
Accrued Unfunded Pension Liability	(2,111,400)	(2,268,594)
Available for Use in Future Budgets	<u>1,245,518</u>	<u>1,726,387</u>
Total	<u>(\$5,014,743)</u>	<u>(\$4,755,101)</u>

12. SUBSEQUENT EVENTS

The Authority has evaluated subsequent events through October 2, 2024, the date which the financial statements were available to be issued and the following item was noted for disclosure:

At its February 21, 2024 meeting, the Authority adopted resolutions authorizing the Issuance of not exceeding \$6,000,000 Subordinate Bonds for the "Well #3 PFAS Project" and \$1,500,000 Subordinate Bonds for the "North Pumping Station Project", and providing for their sale to the New Jersey Infrastructure Book and the State of New Jersey. These bonds have not been issued as of May 31, 2024.

Required Supplementary Information - Part II

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THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
 Schedules of Required Supplementary Information
 Schedule of Authority's Share of Net Pension Liability - PERS
 Last 10 Fiscal Years*

	Fiscal Year Ending May 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability (asset)	0.0156446491%	0.0154085330%	0.01344432430%	0.0126911701%	0.0138343012%	0.0141836000%	0.01315668323%	0.0132744142%	0.0130687267%	0.0125380651%
Authority's proportionate share of the net pension liability (asset)	\$ 2,266,029	\$ 2,325,360	\$ 1,592,554	\$ 2,069,598	\$ 2,492,731	\$ 2,792,680	\$ 3,062,700	\$ 3,931,501	\$ 2,933,667	\$ 2,347,469
Authority's covered payroll - PERS	\$ 1,124,352	\$ 1,145,156	\$ 1,178,786	\$ 1,094,829	\$ 995,677	\$ 962,719	\$ 974,299	\$ 969,755	\$ 939,426	\$ 908,206
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	201.54%	203.06%	135.10%	189.03%	250.36%	290.08%	314.35%	405.41%	312.28%	258.47%
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%

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
 Schedules of Required Supplementary Information
 Schedule of Authority's Contributions - PERS
 Last 10 Fiscal Years*

	Fiscal Year Ended May 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 209,095.00	\$ 194,309.00	\$ 157,436.00	\$ 138,835.00	\$ 134,567.00	\$ 141,081.00	\$ 121,884.00	\$ 117,928.00	\$ 112,356.00	\$ 103,362.00
Contributions in relation to the contractually required contribution	<u>\$ (209,095.00)</u>	<u>\$ (194,309.00)</u>	<u>\$ (157,436.00)</u>	<u>\$ (138,835.00)</u>	<u>\$ (134,567.00)</u>	<u>\$ (141,081.00)</u>	<u>\$ (121,884.00)</u>	<u>\$ (117,928.00)</u>	<u>\$ (112,356.00)</u>	<u>\$ (103,362.00)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll - PERS	\$ 1,124,352	\$ 1,145,156	\$ 1,178,786	\$ 1,094,829	\$ 995,677	\$ 962,719	\$ 974,299	\$ 969,755	\$ 939,426	\$ 908,206
Contributions as a percentage of covered payroll	18.60%	16.97%	13.36%	12.68%	13.52%	14.65%	12.51%	12.16%	11.96%	11.38%

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
Note to Required Schedules of Supplementary Information
For the Year Ended May 31, 2024

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

Assumptions used in calculating the Pension liability are presented
in Note 7.

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THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
 Schedules of Required Supplementary Information
 Schedule of Authority's Share of Net OPEB Liability
 Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018
Authority's proportion of the net OPEB liability (asset)	0.023021%	0.018823%	0.018949%	0.017275%	0.016096%	0.020277%	0.019063%
Authority's proportionate share of the net OPEB liability (asset)	\$ 3,454,655	\$ 3,039,838	\$ 3,410,779	\$ 3,100,277	\$ 2,180,376	\$ 3,176,720	\$ 3,891,862
Authority's covered payroll	\$ 1,124,352	\$ 1,145,156	\$ 1,178,786	\$ 1,094,829	\$ 995,677	\$ 962,719	\$ 974,299
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	307.26%	265.45%	289.35%	283.17%	218.98%	329.97%	399.45%
Plan fiduciary net position as a percentage of the total OPEB liability	-0.79%	-0.36%	0.28%	0.91%	1.98%	1.97%	1.03%

* GASB requires that ten years of information be presented. However, since fiscal year 2017 was the first year of GASB 75 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
 Schedules of Required Supplementary Information
 Schedule of Authority's OPEB Contributions
 Last 10 Fiscal Years*

	2024	2023	2022	2021	2020	2019	2018
Contractually required contribution	\$ 34,784.00	\$ 32,667.00	\$ 26,203.00	\$ 24,575.00	\$ 31,511.00	\$ 42,963.00	\$ 62,350.00
Contributions in relation to the contractually required contribution	\$ (34,784.00)	(32,667.00)	(26,203.00)	(24,575.00)	(31,511.00)	(42,963.00)	(62,350.00)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 1,124,352	\$ 1,145,156	\$ 1,178,786	\$ 1,094,829	\$ 995,677	\$ 962,719	\$ 974,299
Contributions as a percentage of covered payroll	3.09%	2.85%	2.22%	2.24%	3.16%	4.46%	6.40%

* GASB requires that ten years of information be presented. However, since fiscal year 2017 was the first year of GASB 75 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
Schedules of Required Supplementary Information
Schedule of Changes in the Authority's Proportionate
Share of the State OPEB Contributions
*Last 10 Fiscal Years**

	2024	2023	2022	2021	2020	2019	2018
Total OPEB Liability:							
Service Cost	\$ 137,467	\$ 149,954	\$ 160,323	\$ 104,678	\$ 107,292	\$ 181,730	\$ 202,931
Interest	133,839	75,550	78,418	85,934	102,383	154,933	123,609
Changes in Benefit Terms	5,304	75,758	384	179	(306)		
Difference Between Expected and Actual Experience	(488,811)	107,676	(226,667)	93,545	(225,331)	(735,322)	(493,322)
Changes in Assumptions	58,727	(677,543)	64,269	531,201	(263,292)	(469,259)	(79,586)
Benefit Payments	(137,457)	(110,170)	(96,572)	(80,539)	(75,680)	(85,492)	(79,586)
Contributions - Members	14,368	10,008	8,207	6,486	6,961	10,947	10,215
Change in Allocation	675,498	(22,744)	303,186	162,927	(668,169)	250,436	(207,745)
Net Change in Total OPEB Liability	398,935	(391,511)	291,548	904,411	(1,016,142)	(692,027)	(443,898)
Total OPEB Liability - Beginning	3,028,794	3,420,305	3,128,757	2,224,346	3,240,488	3,932,515	4,376,413
Total OPEB Liability - Ending	\$ 3,427,729	\$ 3,028,794	\$ 3,420,305	\$ 3,128,757	\$ 2,224,346	\$ 3,240,488	\$ 3,932,515
Plan Fiduciary Net Position:							
Contributions - Employer	\$ 99,309	\$ 73,314	\$ 61,603	\$ 50,513	\$ 55,759	\$ 85,406	\$ 72,785
Contributions - Non-Employer	12,803	8,619	7,158	6,048	7,059	10,858	10,116
Contributing Entities	14,368	10,008	8,207	6,486	6,961	10,947	10,215
Contributions - Members	461	44	38	494	777	471	151
Net Investment Income	(137,457)	(110,170)	(96,572)	(80,539)	(75,680)	(85,492)	(79,586)
Benefit Payments	(2,904)	(2,322)	(2,148)	(1,713)	(1,526)	(1,663)	(1,696)
Administrative Expense	(2,462)	(63)	2,760	3,221	(13,148)	2,588	(1,429)
Change in Allocation	(15,882)	(20,570)	(18,954)	(15,490)	(19,798)	23,115	10,556
Net Change in Plan Fiduciary Net Position	\$ (11,044)	9,526	28,480	43,970	63,768	40,653	30,097
Plan Fiduciary Net Position - Beginning	(26,926)	(11,044)	9,526	28,480	43,970	63,768	40,653
Plan Fiduciary Net Position - Ending	\$ 3,454,655	\$ 3,039,838	\$ 3,410,779	\$ 3,100,277	\$ 2,180,376	\$ 3,176,720	\$ 3,891,862

* GASB requires that ten years of information be presented. However, since fiscal year 2017 was the first year of GASB 75 implementation ten years is not presented. Each year thereafter, an additional year will be included until ten years of data is presented.

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
Note to Required Schedules of Supplementary Information
For the Fiscal Year Ended May 31, 2024

Change in benefit terms

None

Change in assumptions

Assumptions used in calculating the OPEB liability are presented in Note 8.

Supplementary Schedules

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The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Revenues, Expenses And
Changes In Net Position -
Restricted And Unrestricted

For The Fiscal Years Ended May 31, 2024 and 2023

	Invested in Capital Assets	Unrestricted		Total (Memo)	
		Designated	Undesignated	2024	2023
Operating Revenues:					
Water Charges			826,372	826,372	823,914
Sewer Charges			2,231,013	2,231,013	2,237,860
Connection Fees			174,988	174,988	7,278
Other			259,721	259,721	268,366
Interest on Delinquent Accounts			24,660	24,660	28,104
Interest Income			43,719	43,719	16,441
Total Operating Revenues			3,560,473	3,560,473	3,381,963
Operating Expenses:					
Costs of Providing Services			1,835,478	1,835,478	1,569,761
Administrative, General and Employee Benefits			1,081,546	1,081,546	896,922
Depreciation	847,470			847,470	883,331
Total Operating Expenses	847,470		2,917,024	3,764,494	3,350,014
Operating Income (Loss)	(847,470)		643,449	(204,021)	31,949
Non-Operating Revenue and (Expenses):					
Interest Expense			(43,093)	(43,093)	(42,737)
Amortization	13,482			13,482	13,482
	13,482		(43,093)	(29,611)	(29,255)
Net Income (Loss) Before Transfers and Capital Contributions	(833,988)		600,356	(233,632)	2,694
Transfers:					
Bond Principal Paid	286,586		(286,586)		
Capital Expenditures	762,568		(762,568)		
Other		(189,156)	189,156		
Increase (Decrease) in Net Position	215,166	(189,156)	(259,642)	(233,632)	2,694
Net Position, June 1	6,204,418	1,283,656	(4,755,101)	2,732,973	2,730,279
Net Position - May 31,	6,419,584	1,094,500	(5,014,743)	2,499,341	2,732,973
Appropriated in Subsequent Year's Budget		743,500			
Designated for Retiree Health Benefits		351,000			
		<u>1,094,500</u>			

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The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Cash Receipts, Cash Disbursements
And Changes In Cash and Investments
Unrestricted And Restricted Accounts
For The Fiscal Year Ended May 31, 2024

	Operating Account	Payroll Fund	Revenue Fund
Cash, Cash Equivalents and Investments - June 1, 2023	470,420	6,696	1,314,690
Cash Receipts:			
Interest on Investments	5,972	1,427	24,556
Water and Sewer Charges			3,078,397
Connection Fees	174,988		
Customer Deposits	10,000		
Other	240,441		109,764
Employee/Employer Payroll Taxes		840,081	
Transfers	3,042,337	880,465	79,396
Total Cash Receipts	<u>3,473,738</u>	<u>1,721,973</u>	<u>3,292,113</u>
Cash and Investments Available	<u>3,944,158</u>	<u>1,728,669</u>	<u>4,606,803</u>
Cash Disbursements:			
Operations	2,569,570	880,465	
Capital Expenditures			
Employee/Employer Payroll Taxes		839,464	
Bond Principal Payments	286,586		
Bond Interest Payments	44,871		
Customer Deposits			
Other			2,663
Transfers	880,465		3,088,491
Total Cash Disbursements	<u>3,781,492</u>	<u>1,719,929</u>	<u>3,091,154</u>
Cash, Cash Equivalents and Investments - May 31, 2024	<u>162,666</u>	<u>8,740</u>	<u>1,515,649</u>
Analysis of Balance:			
Cash and Cash Equivalents	162,666	8,740	1,515,649
Investments	-	-	-
	<u>162,666</u>	<u>8,740</u>	<u>1,515,649</u>
Unrestricted	162,666	8,740	1,515,649
Restricted	-	-	-
	<u>162,666</u>	<u>8,740</u>	<u>1,515,649</u>

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Cash Receipts, Cash Disbursements
And Changes In Cash and Investments
Unrestricted And Restricted Accounts
For The Fiscal Year Ended May 31, 2024

	Customer Deposit Account	Escrow Deposit Fund	General/ Capital Reserve Account
Cash, Cash Equivalents and Investments - June 1, 2023	54,056	34,124	784,822
Cash Receipts:			
Interest on Investments	1,557	680	1,493
Water and Sewer Charges			
Connection Fees			
Customer Deposits	3,832	32,500	
Other			185,425
Employee/Employer Payroll Taxes Transfers			
Total Cash Receipts	<u>5,389</u>	<u>33,180</u>	<u>186,918</u>
Cash and Investments Available	<u>59,445</u>	<u>67,304</u>	<u>971,740</u>
Cash Disbursements:			
Operations			
Capital Expenditures			762,568
Employee/Employer Payroll Taxes			
Bond Principal Payments			
Bond Interest Payments			
Customer Deposits	4,193		
Other			
Transfers		33,242	
Total Cash Disbursements	<u>4,193</u>	<u>33,242</u>	<u>762,568</u>
Cash, Cash Equivalents and Investments - May 31, 2024	<u>55,252</u>	<u>34,062</u>	<u>209,172</u>
Analysis of Balance:			
Cash and Cash Equivalents	55,252	34,062	209,172
Investments	-	-	-
	<u>55,252</u>	<u>34,062</u>	<u>209,172</u>
Unrestricted	-	-	209,172
Restricted	55,252	34,062	-
	<u>55,252</u>	<u>34,062</u>	<u>209,172</u>

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Cash Receipts, Cash Disbursements
And Changes In Cash and Investments
Unrestricted And Restricted Accounts
For The Fiscal Year Ended May 31, 2024

	Cert. of Deposit	NJ Cash Management Fund	Total
Cash, Cash Equivalents and Investments - June 1, 2023	304,928	-	2,969,736
Cash Receipts:			
Interest on Investments	10,017	254	45,956
Water and Sewer Charges			3,078,397
Connection Fees			174,988
Customer Deposits			46,332
Other			535,630
Employee/Employer Payroll Taxes			840,081
Transfers		79,396	4,081,594
Total Cash Receipts	<u>10,017</u>	<u>79,650</u>	<u>8,802,978</u>
Cash and Investments Available	<u>314,945</u>	<u>79,650</u>	<u>11,772,714</u>
Cash Disbursements:			
Operations			3,450,035
Capital Expenditures			762,568
Employee/Employer Payroll Taxes			839,464
Bond Principal Payments			286,586
Bond Interest Payments			44,871
Customer Deposits			4,193
Other			2,663
Transfers	79,396		4,081,594
Total Cash Disbursements	<u>79,396</u>	<u>-</u>	<u>9,471,974</u>
Cash, Cash Equivalents and Investments - May 31, 2024	<u>235,549</u>	<u>79,650</u>	<u>2,300,740</u>
Analysis of Balance:			
Cash and Cash Equivalents	235,549	79,650	2,300,740
Investments	-	-	-
	<u>235,549</u>	<u>79,650</u>	<u>2,300,740</u>
Unrestricted	235,549	79,650	2,211,426
Restricted	-	-	89,314
	<u>235,549</u>	<u>79,650</u>	<u>2,300,740</u>

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The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Operating Revenue And Costs Funded
By Operating Revenue Compared To Budget

For The Fiscal Year Ended May 31, 2024

	2024 Adopted Budget	2024 Modified Budget	2024 Actual	Variance Favorable / (Unfavorable)	2023 Actual
Revenues:					
Unrestricted Net Position Appropriated	32,656	107,656	107,656	-	36,947
Water Charges	825,000	825,000	826,372	1,372	823,914
Sewer Charges	2,227,307	2,227,307	2,231,013	3,706	2,237,860
Connection Fees	150,000	150,000	174,988	24,988	7,278
Other	223,000	223,000	259,721	36,721	268,366
Interest on Delinquent Accounts	20,000	20,000	24,660	4,660	28,104
Interest on Investments and Deposits	1,500	1,500	43,719	42,219	16,441
Total Operating Revenues	3,479,463	3,554,463	3,668,129	113,666	3,418,910
Expenses:					
Cost of Providing Services:					
Operating Salaries	854,500	854,500	883,391	(28,891)	790,604
Overtime Salaries	40,000	40,000	39,799	201	34,810
Professional Fees - Other	5,000	5,000	3,693	1,307	5,000
Engineering - Miscellaneous	10,000	10,000	24,481	(14,481)	267
Chemicals	85,000	85,000	119,434	(34,434)	94,208
Systems and Equipment - Repairs and Maintenance	150,000	150,000	154,823	(4,823)	133,449
Truck Expenses - Gas, Oil, License	30,000	30,000	18,754	11,246	22,992
Truck Expenses - Repairs	10,000	10,000	10,113	(113)	6,591
Electricity	240,000	240,000	260,418	(20,418)	250,517
Water Consumed in Operations	3,000	3,000	1,854	1,146	2,083
Sludge Removal	145,000	220,000	179,828	40,172	116,289
Uniforms	5,000	5,000	4,907	93	4,463
Fees and Permits	45,000	45,000	46,576	(1,576)	47,796
Lab Supplies and Expenses	50,000	50,000	56,196	(6,196)	37,989
Customer Refunds	1,000	1,000	312	688	154
Miscellaneous Supplies and Expenses	27,000	27,000	30,899	(3,899)	22,549
Sub-total Cost of Providing Services	1,700,500	1,775,500	1,835,478	(59,978)	1,569,761
Administrative, General Expenses and Employee Benefits:					
Administrative Salaries	409,000	409,000	385,534	23,466	386,898
Commissioners' Salaries	38,000	38,000	35,510	2,490	33,025
Administrative Trustees Fees	7,000	7,000	5,556	1,444	5,556
Customer Billing - Postage	9,000	9,000	6,229	2,771	6,229
IT Programming	6,000	6,000	5,816	184	6,968
IT System Maintenance	42,000	42,000	43,200	(1,200)	41,380
Auditing	27,000	27,000	26,911	89	25,000
Legal - Retainer	19,000	19,000	19,000		18,500
Legal - Miscellaneous	5,000	5,000	5,881	(881)	3,755
Traffic Control	10,000	10,000	6,194	3,806	
Office Supplies and Postage	11,000	11,000	10,813	187	8,953
Conferences and Seminars	7,000	7,000	6,918	82	5,919

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Operating Revenue And Costs Funded
By Operating Revenue Compared To Budget

For The Fiscal Year Ended May 31, 2024

	2024 Adopted Budget	2024 Budget After Modifications	2024 Actual	Variance Favorable / (Unfavorable)	2023 Actual
Administrative, General Expenses and Employee Benefits (continued):					
Special Accounting Services	5,000	5,000	9,423	(4,423)	5,306
Printing and Publications	9,000	9,000	8,894	106	5,962
Telephone and Alarm System	15,000	15,000	15,551	(551)	10,145
Insurance	67,000	67,000	67,511	(511)	60,493
Building Repairs and Maintenance	21,000	21,000	21,490	(490)	18,815
Heating	4,000	4,000	3,181	819	4,056
Bank Sweep Fees	2,000	2,000	2,663	(663)	2,127
Employee Benefits:					
Public Employee Retirement System	220,000	220,000	209,358	10,642	194,560
Social Security Tax	96,000	96,000	95,928	72	84,359
Unemployment Compensation Insurance	8,000	8,000	4,449	3,551	4,625
Worker's Compensation Insurance	35,000	35,000	30,974	4,026	26,552
Medical Insurance Premium	320,000	320,000	231,431	88,569	211,793
Retiree Health Benefits	55,000	55,000	44,358	10,642	46,247
	<u>1,447,000</u>	<u>1,447,000</u>	<u>1,302,773</u>	<u>144,227</u>	<u>1,217,223</u>
Debt Service:					
Bond Principal	287,092	287,092	286,586	506	264,807
Interest on Bonds	44,871	44,871	43,093	1,778	42,737
	<u>331,963</u>	<u>331,963</u>	<u>329,679</u>	<u>2,284</u>	<u>307,544</u>
Total Costs Funded by Operating Revenues	<u><u>3,479,463</u></u>	<u><u>3,554,463</u></u>	<u><u>3,467,930</u></u>	<u><u>86,533</u></u>	<u><u>3,094,528</u></u>
Excess of Actual Revenues Over Expenses			200,199		324,382
Reconciliation of Budgetary Basis to GAAP:					
Undesignated Retained Earnings			(107,656)		(36,947)
Pension Adjustment			157,194		282,744
OPEB Adjustment			64,033		37,557
Depreciation			(847,470)		(883,331)
Amortization			13,482		13,482
Bond Principal			286,586		264,807
Total Adjustments			<u>(433,831)</u>		<u>(321,688)</u>
Change in Net Position			<u><u>(233,632)</u></u>		<u><u>2,694</u></u>

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Capital Financing Sources And Costs Funded
By Financing Sources Compared To Budget

For The Fiscal Year Ended May 31, 2024

	<u>2024</u> <u>Adopted</u> <u>Budget</u>	<u>2024</u> <u>Budget After</u> <u>Modifications</u>	<u>2024</u> <u>Actual</u>	<u>2023</u> <u>Actual</u>
Financing Sources:				
Unrestricted Net Position	900,000	900,000	735,290	81,696
Debt Authorization		7,500,000	27,278	
Total Financing Sources	<u>900,000</u>	<u>8,400,000</u>	<u>762,568</u>	<u>81,696</u>
Capital Outlays:				
Well Redevelopment & Upgrades	210,000	210,000	59,680	
Miscellaneous Infrastructure Upgrades	45,000	45,000	23,169	
Miscellaneous Building Upgrades	35,000	35,000	21,173	
Miscellaneous Security Equipment	20,000	20,000	16,763	14,246
Twin Lakes Dam Inspection & Rehabilitation				6,244
Miscellaneous Paving & Concrete Repairs	145,000	145,000		10,000
Fire Hydrant and Aux. Valve Upgrades	35,000	35,000		
Misc. Computer and Office Equipment	20,000	20,000	22,657	
Water Accountability Act Project	35,000	35,000	9,600	4,945
Miscellaneous Laboratory Upgrades	155,000	155,000	8,083	
Misc. Upgrades to Pumping Stations				42,479
Miscellaneous Treatment Plant Upgrades	5,000	5,000	25,006	3,782
North Pump Station Upgrade	20,000	20,000		
Thickener Bldg. Transfer Pump Upgrade	175,000	175,000	9,122	
Purchase of Property			540,037	
North Pump Station Replacement		1,500,000	10,155	
Well #3 Treatment PFAS		6,000,000	17,123	
Total Capital Outlay	<u>900,000</u>	<u>8,400,000</u>	<u>762,568</u>	<u>81,696</u>
Excess of Actual Revenues Over Expenses				
Total	<u>900,000</u>	<u>8,400,000</u>	<u>762,568</u>	<u>81,696</u>

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The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Bonds and Loans Payable

May 31, 2024 and 2023

	Original Issuance		Interest Rate	Maturities		Issued	Refunded/ Retired	Balance May 31, 2024
	Date	Amount		Date	Amount			
NJFIT Trust Loan Series 2009A	12/2/2009	735,000	4.000%	08/01/2024	43,000			
			3.750%	08/01/2025	43,000			
			4.000%	08/01/2026	48,000			
			4.000%	08/01/2027	47,000			
			4.000%	08/01/2028	47,000			
		4.000%	08/01/2029	52,000			43,000	280,000
								323,000
NJFIT Fund Loan Series 2009A	12/2/2009	704,297	0.000%	08/01/2024	25,153			
			0.000%	02/01/2025	12,577			
			0.000%	08/01/2025	25,154			
			0.000%	02/01/2026	12,577			
			0.000%	08/01/2026	25,153			
			0.000%	02/01/2027	12,577			
			0.000%	08/01/2027	25,154			
			0.000%	02/01/2028	12,577			
			0.000%	08/01/2028	25,153			
			0.000%	02/01/2029	12,577			
		0.000%	08/01/2029	25,153			37,731	213,805
								251,536

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Bonds and Loans Payable

May 31, 2024 and 2023

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2023	Issued	Redeemed/Retired	Balance May 31, 2024
	Date	Amount		Date	Amount				
NJETT Trust Loan Direct Loan	2/23/2010	71,914	3.720%	08/01/2024	4,149	31,425		4,004	27,421
			3.820%	08/01/2025	4,304				
			3.920%	08/01/2026	4,468				
			4.010%	08/01/2027	4,643				
			4.100%	08/01/2028	4,830				
4.180%	08/01/2029	5,027							
						31,425		4,004	27,421
NJETT Fund Loan Direct Loan	2/23/2010	204,192	0.000%	08/01/2024	7,165	71,647		10,747	60,900
			0.000%	02/01/2025	3,582				
			0.000%	08/01/2025	7,165				
			0.000%	02/01/2026	3,582				
			0.000%	08/01/2026	7,165				
			0.000%	02/01/2027	3,582				
			0.000%	08/01/2027	7,165				
			0.000%	02/01/2028	3,582				
			0.000%	08/01/2028	7,165				
			0.000%	02/01/2029	3,582				
0.000%	08/01/2029	7,165							
						71,647		10,747	60,900

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Bonds and Loans Payable

May 31, 2024 and 2023

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2023	Issued	Redeemed/Retired	Balance May 31, 2024
	Date	Amount		Date	Amount				
NJEIT Trust Loan Series 2010B	12/2/2010	415,000	5.000%	08/01/2024	23,000				
			5.000%	08/01/2025	23,000				
			5.000%	08/01/2026	23,000				
			5.000%	08/01/2027	27,000				
			5.000%	08/01/2028	27,000				
			5.000%	08/01/2029	27,000				
			5.000%	08/01/2030	32,000	205,000		23,000	182,000
NJEIT Fund Loan Series 2010B	12/2/2010	210,430	0.000%	08/01/2024	7,515				
			0.000%	02/01/2025	3,758				
			0.000%	08/01/2025	7,515				
			0.000%	02/01/2026	3,758				
			0.000%	08/01/2026	7,515				
			0.000%	02/01/2027	3,758				
			0.000%	08/01/2027	7,515				
			0.000%	02/01/2028	3,758				
			0.000%	08/01/2028	7,515				
			0.000%	02/01/2029	3,758				
			0.000%	08/01/2029	7,515				
			0.000%	02/01/2030	3,758				
			0.000%	08/01/2030	5,364	84,275		11,273	73,002

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Bonds and Loans Payable

May 31, 2024 and 2023

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2023	Issued	Redeemed/ Retired	Balance May 31, 2024
	Date	Amount		Date	Amount				
NJEIT Trust Loan Series 2012A	05/3/2012	370,000	5.000%	08/01/2024	19,340				
			5.000%	08/01/2025	19,180				
			5.000%	08/01/2026	23,682				
			3.000%	08/01/2027	23,463				
			3.000%	08/01/2028	23,466				
			3.125%	08/01/2029	23,470				
			3.200%	08/01/2030	23,444				
			3.250%	08/01/2031	23,401				
						198,940		19,494	179,446
NJEIT Fund Loan Series 2012A	05/3/2012	1,144,110	0.000%	08/01/2024	41,353				
			0.000%	02/01/2025	20,676				
			0.000%	08/01/2025	41,353				
			0.000%	02/01/2026	20,676				
			0.000%	08/01/2026	41,353				
			0.000%	02/01/2027	20,676				
			0.000%	08/01/2027	41,353				
			0.000%	02/01/2028	20,676				
			0.000%	08/01/2028	41,353				
			0.000%	02/01/2029	20,676				
			0.000%	08/01/2029	41,353				
			0.000%	02/01/2030	20,676				
			0.000%	08/01/2030	41,352				
			0.000%	02/01/2031	20,676				
			0.000%	08/01/2031	27,589				
						523,820		62,029	461,791

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Bonds and Loans Payable

May 31, 2024 and 2023

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2023	Issued	Redeemed/Retired	Balance May 31, 2024
	Date	Amount		Date	Amount				
NJ/EIT Trust Loan Series 2016A-1	05/26/2016	260,000	4.000%	08/01/2024	15,000	200,000			190,000
			4.000%	08/01/2025	15,000				
			4.000%	08/01/2026	15,000				
			4.000%	08/01/2027	15,000				
			2.000%	08/01/2028	15,000				
			2.000%	08/01/2029	15,000				
			2.000%	08/01/2030	15,000				
			2.125%	08/01/2031	15,000				
			3.000%	08/01/2032	15,000				
			3.000%	08/01/2033	15,000				
			3.000%	08/01/2034	20,000				
			08/01/2035	20,000			10,000		
NJ/EIT Fund Loan Series 2016A-1	05/26/2016	799,313	0.000%	08/01/2024	28,046	532,876			490,807
			0.000%	02/01/2025	14,023				
			0.000%	08/01/2025	28,046				
			0.000%	02/01/2026	14,023				
			0.000%	08/01/2026	28,046				
			0.000%	02/01/2027	14,023				
			0.000%	08/01/2027	28,046				
			0.000%	02/01/2028	14,023				
			0.000%	08/01/2028	28,046				
			0.000%	02/01/2029	14,023				
			0.000%	08/01/2029	28,046				
			0.000%	02/01/2030	14,023				
			0.000%	08/01/2030	28,046				
			0.000%	02/01/2031	14,023				
			0.000%	08/01/2031	28,046				
0.000%	02/01/2032	14,023							
0.000%	08/01/2032	28,046							
0.000%	02/01/2033	14,023							
0.000%	08/01/2033	28,046							
0.000%	02/01/2034	14,023							
0.000%	08/01/2034	28,047							
0.000%	02/01/2035	14,023							
0.000%	08/01/2035	28,047							

The Pompton Lakes Borough Municipal Utilities Authority
(A Component Unit of the Borough of Pompton Lakes)
Schedule Of Bonds and Loans Payable

May 31, 2024 and 2023

	Original Issuance		Interest Rate	Maturities		Balance June 1, 2023	Issued	Redeemed/Retired	Balance May 31, 2024
	Date	Amount		Date	Amount				
NUDEP									
2003 Dam Restoration Loan									
Program -									
Project #EC19-038	3/23/2022	526,036	2.000%	06/22/2024	11,794				
				12/22/2024	11,912				
				06/22/2025	12,031				
				12/22/2025	12,152				
				06/22/2026	12,273				
				12/22/2026	12,396				
				06/22/2027	12,520				
				12/22/2027	12,645				
				06/22/2028	12,771				
				12/22/2028	12,899				
				06/22/2029	13,028				
				12/22/2029	13,158				
				06/22/2030	13,290				
				12/22/2030	13,423				
				06/22/2031	13,557				
				12/22/2031	13,693				
				06/22/2032	13,830				
				12/22/2032	13,968				
				06/22/2033	14,108				
				12/22/2033	14,249				
				06/22/2034	14,391				
				12/22/2034	14,535				
				06/22/2035	14,681				
				12/22/2035	14,827				
				06/22/2036	14,976				
				12/22/2036	15,125				
				06/22/2037	15,277				
				12/22/2037	15,429				
				06/22/2038	15,584				
				12/22/2038	15,739				
				06/22/2039	15,897				
				12/22/2039	16,056				
				06/22/2040	16,216				
				12/22/2040	16,378				
				06/22/2041	16,542				
						514,589		23,239	491,350
Grand Total						2,937,108		286,586	2,650,522
Current Portion						285,586			292,043
Non-Current Portion						2,651,522			2,358,479
						2,937,108			2,650,522

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

MEMBERS OF THE AUTHORITY

JUNE 1, 2023 TO MAY 31, 2024

<u>Official</u>	<u>Position</u>	<u>Term Expires February 1</u>
Kevin P. Carroll	Chairman	2026
Neal Galletta	Vice-Chairman/Treasurer	2027
Timothy Troast	Assistant Secretary	2025
Michael Longo	Secretary	2029
Lloyd Kent	Assistant Treasurer	2028

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POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY

**REPORT ON INTERNAL CONTROL OVER FINANCIAL
REPORTING AND ON COMPLIANCE AND OTHER MATTERS**

COMMENTS AND RECOMMENDATIONS

YEAR ENDED MAY 31, 2024

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WIELKOTZ & COMPANY L.L.C.

CERTIFIED PUBLIC ACCOUNTANTS

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

Honorable Chairman and Members of the
Pompton Lakes Borough Municipal Utilities Authority
2000 Lincoln Avenue
Pompton Lakes, New Jersey 07442

We have audited, in accordance with auditing standards generally accepted in the United States of America; audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey; and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the Pompton Lakes Borough Municipal Utilities Authority (A Component Unit of the Borough of Pompton Lakes), as of and for the year ended May 31, 2024, and the related notes to the financial statements, and have issued our report thereon dated October 2, 2024.

Internal Control Over Financial Reporting

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



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 not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses as Finding 2024-01 that we consider to be a significant deficiency in internal control over financial reporting.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Pompton Lakes Borough 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

Pompton Lakes Borough Municipal Utilities Authority's Response to Findings

Government Auditing Standards requires the auditor the auditor to perform limited purposes on the Pompton Lakes Borough Municipal Utilities Authority's response to the findings identified in our audit and described in the accompanying Schedule of Findings and Responses. Pompton Lakes Borough Municipal Utilities Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

Purpose of this Report

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

Wielkottz & Company, LLC

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

October 2, 2024

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED MAY 31, 2024

FINDING:

2024-001* CONDITION:

The Authority is not maintaining and updating its fixed asset inventory.

CRITERIA:

Governmental entities are required by N.J.A.C. 5:30-5.6 to maintain a fixed assets accounting system including a subsidiary ledger of detailed records of fixed assets and the related depreciation.

EFFECT:

Absent or inadequate controls over the safeguarding of assets.

CAUSE:

An inventory of the Authority's fixed assets and has not been performed and updated on a regular basis.

RECOMMENDATION:

That the Authority implement a capital asset management accounting and reporting system to reflect all fixed assets and the related depreciation, and that updates be performed on an annual basis.

VIEWS OF RESPONSIBLE OFFICIALS/CORRECTIVE ACTION:

Management is has retained an outside firm to update its capital assets and implement fixed asset update procedures.

* Indicates repeat finding.

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THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

GENERAL COMMENTS

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

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

N.J.S.A. 40A:11-3 was amended with P.L. 1999, c.440 to raise the bid threshold and require award by governing body resolution. "When the cost or price of any contract awarded by the purchasing agent in the aggregate does not exceed in a contract year the total sum of \$17,500, the contract may be awarded by a purchasing agent when so authorized by ordinance or resolution as appropriate to the contracting unit, of the governing body of the contracting unit without public advertising for bids and bidding therefore, except that the governing body may adopt an ordinance or resolution to set a lower threshold for the receipt of public bids or the solicitation of competitive quotations." If the purchasing agent is qualified pursuant to subsection b. of section 9 of P.L. 1971, c.198 (C.40A:11-9), the governing body of the contracting unit may establish that the bid threshold may be up to \$44,000. Such authorization may be granted for each contract or by a general delegation of the power to negotiate and award such contracts pursuant to this section.

N.J.S.A. 40A:11-4 states that every contract awarded by the contracting agent for the provision or performance of any goods or services, the cost of which in the aggregate exceeds the bid threshold, shall be awarded only by resolution of the governing body of the contracting unit to the lowest responsible bidder after public advertising for bids and bidding therefor, except as is provided otherwise in this act of specifically by any other law. The governing body of a contracting unit may, by resolution approved by a majority of the governing body and subject to subsections b. and c. of this section, disqualify a bidder who would otherwise be determined to be the lowest responsible bidder, if the governing body finds that it has had prior negative experience with the bidder.

Effective January 1, 2011, P.L., 2009, c.166 eliminated the previous lower non-qualified purchasing agent threshold of \$26,000. Thus a contracting unit without a qualified purchasing agent now has a maximum bid threshold of \$17,500.

Effective July 1, 2015, the bid threshold, in accordance with N.J.S.A. 40A:11-3 and 40A:11-4 (as amended) is \$17,500 and with a qualified purchasing agent the threshold may be up to \$44,000.

THE POMPTON LAKES BOROUGH MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Borough of Pompton Lakes)

GENERAL COMMENTS, (continued)

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

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

Resolutions were adopted authorizing the awarding of contracts and agreements for "Professional Services" N.J.S. 40A:11-5.

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

Should any questions arise as to our comments and recommendations, or should you desire assistance in implementing our recommendations, do not hesitate to call us.

We would like to express our gratitude to the management and staff of the Authority for their assistance extended to us throughout the audit.

Very truly yours,

Wielkocz & Company, LLC

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