

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)

Financial Statements and Supplementary Data

For the years ended December 31, 2021 and 2020

(With Independent Auditor's Report thereon)

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of Lacey Township, County of Ocean, State of New Jersey)
Financial Statements and Supplementary Data
For the years ended December 31, 2021 and 2020

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Lacey Municipal Utilities Authority
County of Ocean
Forked River, New Jersey

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the Lacey Municipal Utilities Authority, a component unit of the Township of Lacey, County of Ocean, State of New Jersey, (hereafter referred to as the Authority), as of and for the years ended December 31, 2021 and 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2021 and 2020, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. 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 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 these 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 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 opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* and audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 and other required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. 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 comprise the Authority's basic financial statements. The accompanying schedules of revenue and expense – budget to actual and schedules of debt service requirements by year are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements and the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

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

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

January 27, 2023
Lakewood, New Jersey



Certified Public Accountants + Advisors

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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 Lacey Municipal Utilities Authority
County of Ocean
Forked River, New Jersey

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Lacey Municipal Utilities Authority, a component unit of the Township of Lacey, County of Ocean, State of New Jersey (herein referred to as the Authority), as of December 31, 2021, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated January 27, 2023.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered Authority’s internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Authority’s internal control. Accordingly, we do not express an opinion on the effectiveness of 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. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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 financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

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 Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

January 27, 2023
Lakewood, New Jersey



LACEY MUNICIPAL UTILITIES AUTHORITY

34 R. Kennedy Boulevard • P.O. Box 205 • Forked River, NJ 08731 • Phone (609) 693-8188

January 27, 2023

The Lacey Municipal Utilities Authority takes great pride in fiscal responsibility. The seven-member commission of the Authority strives to maintain water and sewer rates and provide outstanding service to our 12,000 customers.

The Authority maintains a 5-year Capital Improvement plan which is funded by both current year and retained funds. The Authority deposits funds annually in the Infrastructure Fund to offset the cost of the Capital Projects.

The Authority has undertaken an aggressive investment plan to ensure the ratepayers receive the highest return possible on the Authority's funds.

The Authority also provides a copy of its Annual Budget and Financial Statement on our website for review by our ratepayers.

Please visit our website at www.laceymua.com.

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the Lacey Municipal Utilities Authority's (the Authority) financial activities for the fiscal year ended December 31, 2021 as compared to the prior year. It should be read in conjunction with the accompanying financial statements.

Financial Statements

The financial statements included on this report are the Statements of Net Position, Statements of Revenues, Expenses and Changes in Net Position, and Statements of Cash Flows as of and for the years ended December 31, 2021 and 2020.

The Statements of Net Position shows the financial position of the Authority at December 31st of each year. Assets are compared with liabilities and net position is the result.

The Statements of Revenues, Expenses and Changes in Net Position measure performance for each year and how this performance impacts the net assets of the Authority.

Finally, the Statements of Cash Flows demonstrates why cash balances increased or decreased during the two years shown on this report.

Financial Analysis

The Authority at December 31, 2021, had total assets of \$51,494,377 compared to \$51,553,415 at December 31, 2020 and \$51,481,424 at December 31, 2019. The change from year to year can be primarily attributed to the fluctuations in capital assets and depreciation each year.

The Authority had total deferred outflow of resources of \$2,419,107 at December 31, 2021 compared to \$2,958,498 at December 31, 2020 and \$1,718,906 at December 31, 2019. The change from year to year can be primarily attributed to the valuation of GASB Statement No.'s 68 and 75.

The Authority had total liabilities of \$14,968,685 at December 31, 2021 compared to \$17,679,287 at December 31, 2020 and \$18,238,487 at December 31, 2019. The change from year to year can be primarily attributed to the difference between the repayment of long-term debt in the current year and valuation of the net pension and other post-employment benefits liabilities.

The Authority had total deferred inflow of resources of \$4,157,434 at December 31, 2021 compared to \$4,149,543 at December 31, 2020 and \$4,364,562 at December 31, 2019. The change from year to year can be primarily attributed to the valuation of GASB Statement No.'s 68 and 75.

The Authority had total net position of \$34,787,365 at December 31, 2021 compared to \$32,683,083 at December 31, 2020 and \$30,597,281 at December 31, 2019. The change from year to year is accounted for primarily due to the change in revenues and expenses each year.

For the year ended December 31, 2021 and 2019, there were no changes to the sewer and water rates, while connection fee rates increased. For the year ended December 31, 2020, there were no changes to the sewer and water and connection fee rates.

Condensed Financial Information

Key Authority financial information for the years ended December 31, 2021, 2020 and 2019 includes the following balances:

Financial Position:

	<u>2021</u>	<u>2020</u>	<u>2019</u>
ASSETS			
Current unrestricted assets	\$ 16,091,999	\$ 16,276,792	\$ 14,985,319
Current restricted assets	2,510,180	2,536,231	3,081,277
Property, plant and equipment, net	<u>32,892,198</u>	<u>32,740,392</u>	<u>33,414,828</u>
Total assets	<u>51,494,377</u>	<u>51,553,415</u>	<u>51,481,424</u>
DEFERRED OUTFLOW OF RESOURCES			
Loss on early extinguishment of debt, net of accumulated amortization	965,113	1,049,372	1,133,632
Deferred outflows related to OPEB	1,101,325	1,208,360	2,794
Deferred outflows related to pensions	<u>352,669</u>	<u>700,766</u>	<u>582,480</u>
Total deferred outflow of resources	<u>2,419,107</u>	<u>2,958,498</u>	<u>1,718,906</u>
Total assets and deferred outflow of resources	<u>\$ 53,913,484</u>	<u>\$ 54,511,913</u>	<u>\$ 53,200,330</u>
LIABILITIES			
Current unrestricted liabilities	\$ 701,040	\$ 864,309	\$ 898,438
Current restricted liabilities	2,126,300	2,032,915	2,420,687
Long-term liabilities	<u>12,141,345</u>	<u>14,782,063</u>	<u>14,919,362</u>
Total liabilities	<u>14,968,685</u>	<u>17,679,287</u>	<u>18,238,487</u>
DEFERRED INFLOW OF RESOURCES			
Gain on bond refunding, net of accumulated amortization	289,110	326,415	363,720
Deferred inflows related to OPEB	2,272,153	2,427,084	2,744,096
Deferred inflows related to pensions	<u>1,596,171</u>	<u>1,396,044</u>	<u>1,256,746</u>
Total deferred inflow of resources	<u>4,157,434</u>	<u>4,149,543</u>	<u>4,364,562</u>
NET POSITION			
Investments in capital assets, net of related debt	26,864,880	25,247,907	24,072,178
Restricted and unrestricted net position	<u>7,922,485</u>	<u>7,435,176</u>	<u>6,525,103</u>
Total net position	<u>34,787,365</u>	<u>32,683,083</u>	<u>30,597,281</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 53,913,484</u>	<u>\$ 54,511,913</u>	<u>\$ 53,200,330</u>

Other Financial Information

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total revenues	\$ 11,662,224	\$ 11,480,454	\$ 11,780,632
Total expenses	9,557,942	9,394,652	9,800,499
Change in net position	<u>\$ 2,104,282</u>	<u>\$ 2,085,802</u>	<u>\$ 1,980,133</u>
User charges	\$ 9,979,182	\$ 10,044,202	\$ 9,949,838
Bond and loan principal paid	\$ 1,375,000	\$ 1,760,000	\$ 3,430,000
Bond and loan payable	\$ 5,385,000	\$ 6,760,000	\$ 8,519,999

Authority operating revenues had a favorable variance of \$32,966 for the year ended December 31, 2021, a favorable variance of \$226,268 for the year ended December 31, 2020, and an unfavorable variance of \$163,962 for the year ended December 31, 2019, when compared to the budget. The favorable variance in 2021 and 2020 is attributed to higher than expected connection fee during each year. The unfavorable variance in 2019 is due primarily to the rate decrease given to residents starting July 1, 2019.

Authority operating and non-operating expenses had a favorable variance of \$927,551 and \$12, respectively for 2021, favorable \$1,867,109 and \$38,839, respectively for 2020 and favorable \$619,716 and unfavorable \$286, respectively for 2019 when compared to the budget. These favorable variances are primarily due to management's efforts to contain costs whenever possible resulting in various expenses being under budget.

The Authority's financial report is designed to provide users of the financial statements with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. The financial statements of the Authority are a matter of public record and may be examined at 34 R. Kennedy Blvd, Forked River, New Jersey during the Authority's business hours.

Respectfully submitted,

Edward Woolf
Executive Director

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Statements of Net Position
December 31, 2021 and 2020

ASSETS	2021	2020
Current unrestricted assets:		
Cash (Note 3)	\$ 3,565,977	\$ 3,822,860
Investments (Note 4)	8,575,693	8,869,747
Accounts receivable - billed (Note 5)	1,246,796	921,008
Accounts receivable - unbilled (Note 5)	2,479,453	2,449,543
Inventory	224,080	213,634
Total current unrestricted assets	16,091,999	16,276,792
Current restricted assets:		
Cash (Note 3)	841,009	818,960
Investments (Note 4)	1,669,171	1,717,271
Total current restricted assets	2,510,180	2,536,231
Capital assets (Note 7)	112,611,516	110,112,267
Less: accumulated depreciation (Note 7)	(79,719,318)	(77,371,875)
Capital assets, net	32,892,198	32,740,392
Total assets	51,494,377	51,553,415
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows related to loss on bond refunding, net of accumulated amortization	965,113	1,049,372
Deferred outflows related to other postemployment benefits (Note 9)	1,101,325	1,208,360
Deferred outflows related to pensions (Note 10)	352,669	700,766
Total deferred outflow of resources	2,419,107	2,958,498
Total assets and deferred outflow of resources	\$ 53,913,484	\$ 54,511,913

The accompanying notes are an integral part of these financial statements.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Statements of Net Position (continued)
December 31, 2021 and 2020

	2021	2020
LIABILITIES		
Current unrestricted liabilities:		
Accounts payable	\$ 327,187	\$ 502,186
Accrued treatment fees (Note 6)	156,212	145,392
Accrued expenses	144,824	148,647
Total current unrestricted liabilities	628,223	796,225
Current restricted liabilities:		
Bonds payable, net - current (Note 8)	1,577,120	1,512,120
Accrued interest	19,588	25,485
Developer deposits	529,592	495,310
Total current restricted liabilities	2,126,300	2,032,915
Long-term liabilities:		
Bonds payable, net - long-term (Note 8)	5,126,201	6,703,322
Net other postemployment benefits liability (Note 9)	4,774,982	4,822,614
Net pension liability (Note 10)	2,240,162	3,256,127
Compensated absences (Note 8)	72,817	68,084
Total long-term liabilities	12,214,162	14,850,147
Total liabilities	14,968,685	17,679,287
DEFERRED INFLOW OF RESOURCES		
Bond premium, net of accumulated amortization		
Deferred inflows related to gain on bond refunding, net of accumulated amortization	289,110	326,415
Deferred inflows related to other postemployment benefits (Note 9)	2,272,153	2,427,084
Deferred inflows related to pensions (Note 10)	1,596,171	1,396,044
Total deferred inflow of resources	4,157,434	4,149,543
NET POSITION		
Investments in capital assets, net of related debt	26,864,880	25,247,907
Restricted and unrestricted net position:		
Restricted for debt service	1,679,969	1,683,968
Restricted for capital	2,925,000	3,010,000
Restricted for rate stabilization	2,004,908	2,005,416
Unrestricted	1,312,608	735,792
Total restricted and unrestricted net position	7,922,485	7,435,176
Total net position	34,787,365	32,683,083
Total liabilities, deferred inflow of resources and net position	\$ 53,913,484	\$ 54,511,913

The accompanying notes are an integral part of these financial statements.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Statements of Revenue, Expenses and Changes in Net Position
For the years ended December 31, 2021 and 2020

	2021	2020
Operating revenues:		
User charges	\$ 9,979,182	\$ 10,044,202
Connection fees	820,535	843,895
Delinquency charges	537	46,876
Application fees and permits	26,515	11,020
Other operating revenue	106,818	122,772
Total operating revenues	10,933,587	11,068,765
Operating expenses:		
Cost of providing services	5,227,753	5,092,489
Administrative and general	1,155,088	1,179,006
Depreciation	2,347,443	2,419,377
Total operating expenses	8,730,284	8,690,872
Operating revenues over expenses	2,203,303	2,377,893
Non-operating revenues/(expenses):		
Interest income	208,196	262,386
Unrealized and realized gain/(loss) on investments	(527,748)	(324,889)
Interest expense	(299,910)	(378,891)
Amortization premium/(bond costs), net	90,165	90,165
Contributed capital assets	430,276	59,138
Total non-operating revenue/(expenses)	(99,021)	(292,091)
Change in net position	2,104,282	2,085,802
Net position, January 1	32,683,083	30,597,281
Net position, December 31	\$ 34,787,365	\$ 32,683,083

The accompanying notes are an integral part of these financial statements.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Statements of Cash Flows
For the years ended December 31, 2021 and 2020

	2021	2020
Cash flows from operating activities:		
Cash received from service users	\$ 10,612,171	\$ 10,874,765
Cash paid to suppliers and employees	(7,119,825)	(6,478,085)
Cash flows from operating activities	3,492,346	4,396,680
Cash flows from investing activities:		
Interest earned on investments	(319,552)	(62,503)
Purchase and maturity of investments	342,154	(1,612)
Cash flows from investing activities	22,602	(64,115)
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(1,375,001)	(1,760,000)
Acquisition and construction of capital assets	(2,068,973)	(1,685,803)
Interest paid	(305,808)	(384,085)
Cash flows from financing activities	(3,749,782)	(3,829,888)
Net change in cash	(234,834)	502,677
Unrestricted and restricted cash, January 1	4,641,820	4,139,143
Unrestricted and restricted cash, December 31	\$ 4,406,986	\$ 4,641,820
 Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash	\$ 3,565,977	\$ 3,822,860
Current restricted assets:		
Cash	841,009	818,960
Unrestricted and restricted cash, December 31	\$ 4,406,986	\$ 4,641,820

The accompanying notes are an integral part of these financial statements.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Statements of Cash Flows (continued)
For the years ended December 31, 2021 and 2020

	2021	2020
Reconciliation of operating revenue over expenses to cash flows from operating activities:		
Operating revenues over expenses	\$ 2,203,303	\$ 2,377,893
Items which did not use cash:		
Depreciation	2,347,443	2,419,377
Unbudgeted OPEB expense (credit)	(95,528)	(91,629)
Unbudgeted pension expense (credit)	(467,741)	(35,116)
Working capital changes which (used) provided cash:		
Accounts receivable	(355,698)	(196,422)
Inventory	(10,446)	(45,716)
Accounts payable	(174,999)	213,133
Accrued treatment fees	10,820	29,792
Accrued expenses	(3,823)	(305,894)
Compensated absences	4,733	28,840
Developer deposits	34,282	2,422
Cash flows from operating activities	\$ 3,492,346	\$ 4,396,680

Noncash Investing, Capital, and Financing Activities:

During the years ended December 31, 2021 and 2020, noncash capital contributions received were \$430,276 and \$59,138 respectively.

The accompanying notes are an integral part of these financial statements.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey County of Ocean, State of New Jersey)
Notes to Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Lacey Municipal Utilities Authority (hereafter referred to as “the Authority”) have been prepared to conform with accounting principles generally accepted in the United States of America (“GAAP”) as applied to governmental units. The Governmental Accounting Standards Board (“GASB”) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Reporting Entity

Lacey Municipal Utilities Authority is a public politic and corporate body organized and existing under the Municipal and County Utilities Authority law constituting Chapter 183 of the Pamphlet Laws of 1957 of the State of New Jersey, approved August 22, 1957, and was created by virtue of an ordinance of the Township of Lacey, in the County of Ocean, State of New Jersey, entitled: "An Ordinance of the Township of Lacey, in the County of Ocean and State of New Jersey Creating the Lacey Municipal Utilities Authority", adopted by its governing body on July 2, 1971.

The purposes for which the Authority was created include the acquisition and/or construction of plants and distribution systems to provide an adequate supply of water and the acquisition and/or construction of sewer facilities incident to the disposition and treatment of sewerage for the relief of waters from pollution.

The Authority’s basic financial statements include all accounts of the Authority’s operations. The Authority consists of five members and two alternates, who are appointed by resolution of the Township Committee for five-year terms.

Component Unit

The Authority is considered to be a "Component Unit" of Lacey Township under GAAP however, the Township does not follow GAAP for accounting and financial reporting purposes rather it follows a regulatory basis of accounting, utilizing accounting principles which differ, in some cases significantly, from GAAP. Of particular note is the exclusion from the Township’s financial statements of potential component units, based on the separate legal status of these units. Accordingly, the financial statements of the Township do not include the Authority as a component unit.

Basis of Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles (“GAAP”) applicable to enterprise funds of State and Local Governments on a going concern basis.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations (a) 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 (b) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, accountability or other purposes.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements. Enterprise funds are accounted for using the accrual basis of accounting.

Revenues – Exchange and Non-Exchange Transactions – Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Water and sewer service charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that sewage collection services are being provided to the properties.

Non-exchange transactions, in which the Authority receives value without directly giving equal value in return, include grants, contributed capital, and donations. Revenue from grants, contributed capital, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the fiscal year when the resources are required to be used or the fiscal year when use is first permitted, matching requirements, in which the Authority must provide local resources to be used for a specified purpose, and expenditure requirements, in which the resources are provided to the Authority on a reimbursement basis.

Expenses – On the accrual basis of accounting, expenses are recognized at the time they are incurred.

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with *N.J.A.C. 5:31-2*. *N.J.A.C. 5:31-2* requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt no later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year by resolution of the Board of Commissioners. The budgetary basis of accounting is utilized to determine the Authority has sufficient cash to operate and pay debt service. As such, certain items such as bond payments are included in budgetary expenses while depreciation is not included.

The legal level of budgetary control is established at the detail shown on the Statements of Revenues, Expenses and Changes in Net Position. All budget transfers and amendments to those accounts must be approved by resolution of the Authority as required by the Local Finance Board. Management may transfer among supplementary line items as long as the legal level line items are not affected. There are no statutory requirements that budgetary line items not be over-expended.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

The Authority records encumbrances. An encumbrance represents a commitment related to unperformed contracts for goods or services. The issuance of a purchase order or the signing of a contract would create an encumbrance. The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

Cash and cash equivalents include cash in banks and may include petty cash and change funds. It may also include all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value.

New Jersey Authorities are required by *N.J.S.A. 40A:5-14* to deposit public funds into a bank or trust company having its place of business in the State of New Jersey and organized under the laws of the United States of America or State of New Jersey or the New Jersey Cash Management Fund. *N.J.S.A. 40A:5-15.1* provides a list of securities which may be purchased by New Jersey Authorities. The Authority is required by *N.J.S.A. 17:9-41* to deposit funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (“GUDPA”). GUDPA was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Fair Value Measurement

The Authority categorizes its assets and liabilities measured at fair value into a three-level hierarchy based on the priority of the inputs to the valuation technique used to determine fair value. The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities (Level I) and the lowest priority to unobservable inputs (Level III).

If the inputs used in the determination of the fair value measurement fall within different levels of the hierarchy, the categorization is based on the lowest level input that is significant to the fair value measurement. Assets and liabilities valued at fair value are categorized based on the inputs to the valuation techniques as follows:

Level I – Inputs that utilize quoted prices (unadjusted) in active markets for identical assets or liabilities that the Authority has the ability to access. Fair values for these instruments are estimated using pricing models or quoted prices of securities with similar characteristics.

Level II – Inputs that include quoted market prices for similar assets and liabilities in active markets and inputs that are observable for the asset or liability, either directly or indirectly, for substantially the full term of the financial instrument.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Fair Value Measurement (continued)

Level III – Inputs that are unobservable inputs for the asset or liability, which are typically based on an entity’s assumptions, as there is little, if any, related market activity. Fair values for these instruments are estimated using appraised values.

Subsequent to initial recognition, the Authority may remeasure the carrying value of assets and liabilities measured on a nonrecurring basis to fair value. Adjustments to fair value usually result when certain assets are impaired. Such assets are written down from their carrying amounts to their fair value.

Inventory

Inventory consists principally of meters, pipes and appurtenances for water and sewer systems and meters and is stated at the lower of average cost or market.

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the Authority’s fiscal year end. For the year ended December 31, 2021, no prepaid expenses were recorded.

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at cost. Assets contributed by developer’s are valued at estimated fair market value as of the date of contribution. Costs incurred for construction projects are recorded as construction in progress. In the year that the project is completed, these costs are transferred to capital assets. The Authority has set the capitalization threshold at \$3,000.

Depreciation is determined on a straight-line basis for all capital assets. Depreciation was provided over the following estimated useful lives:

	<u>Years</u>
Buildings	40
Furniture and fixtures	3 – 7
Machinery and equipment	3 – 7
Sewer collection systems	40
Water production and distribution system	40

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Compensated Absences

Compensated absences represent amounts to which employees are entitled to based on accumulated leave earned in accordance with the Authority's Personnel Policy. Employees may be compensated for accumulated sick and vacation leave in the event of retirement from service at the current salary.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue.

Bond Discounts/Bond Premium

Bond discounts and bond premiums are deferred and amortized over the term of the bonds. Bond discounts are presented as a reduction of the face amount of the revenue loan payable. Bond premium is presented as an addition to loan payable.

Pension & Other post-employment Benefits Section

For purposes of measuring the net pension and other post-employment benefits liabilities, deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits, and pension and other post-employment benefits expenses, information about the fiduciary net position of the Public Employees' Retirement System ("PERS"), the Other Post-Employment Benefits ("OPEB") and additions to/deductions from the PERS's and OPEB's fiduciary net position have been determined on the same basis as they are reported by the plan. For these purposes, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board *Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments*, the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets – 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. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

Restricted Net Position – Consists of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that do not meet the definition of "restricted" or "net investment in capital assets".

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

The Authority operates as defined by Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

Operating and Non-Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. Non-operating revenues primarily consist of interest income and on investments of securities. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. Non-operating expenses primarily include expenses attributable to the Authority's interest on debt, issuance of debt and sales of capital assets.

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amount.

Impact of Recently Issued Accounting Principles

Recently Issued Accounting Pronouncements Not Yet Adopted

The GASB has issued the following Statements which will become effective in future fiscal years as shown below:

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As a result of Statement No. 95, *Postponement of The Effective Dates of Certain Authoritative Guidance*, Statement No. 87 is now effective for reporting periods beginning after June 15, 2021. Management has not yet determined the impact of this Statement on the financial statements.

Subsequent Events

Lacey Municipal Utilities Authority has evaluated subsequent events occurring after December 31, 2021 through January 27, 2023, which is the date the financial statements were available to be issued.

NOTE 2: REQUIRED ACCOUNTS AND DEBT SERVICE COVERAGE

The Authority is subject to the provisions and restrictions of the Bond Resolutions and supplemental resolutions thereto. A summary of the activities of each fund (account) created by the Bond Resolutions are covered below.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 2: REQUIRED ACCOUNTS AND DEBT SERVICE COVERAGE (continued)

Revenue Account – All operating revenues received by the Authority are deposited in the revenue account and subsequently transferred into other accounts to satisfy the bond covenants or to pay operating expenses, except for any grants-in-aid of construction that are deposited in the construction account.

Debt Service Fund – The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on bonds, principal amounts of bonds maturing when such payments are required.

Bond Reserve Fund – The amount of funds on deposit must be maintained at a level equal to the maximum Debt Service to insure funds are available for payment of debt service.

Renewal and Replacement Fund (Capital) – These funds are maintained for reasonable and necessary expenses with respect to the system for major repairs, renewals, replacements or maintenance items of a type not recurring annually.

Construction Fund – The amount required to be paid by the provisions of the resolution or any supplemental resolution. Amounts shall be applied to pay certain costs of acquisition and construction of each project.

General Fund – Any excess over expenditures in the revenue funds or accounts shall be transferred to the general fund each month if all required deposits and trustee expenses have been duly executed. All excess funds of the Authority are recorded in the General Account. If the Authority is not in default in the payment of the principal of, or interest on, or redemption price of bonds and all fund requirements are satisfied, funds in excess of the amounts reasonably required to be reserved for payment of bonds or necessary reconstruction of the sewer or water system may be withdrawn by the Authority for any lawful purpose.

NOTE 3: CASH

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2021 and 2020, and reported at fair value are as follows:

	2021	2020
Deposits:		
Demand deposits	\$ 4,406,986	\$ 4,461,820
Total demand deposits	\$ 4,406,986	\$ 4,461,820
 Reconciliation to the Statements of Net Position:		
Current unrestricted assets:		
Cash	\$ 3,565,977	\$ 3,822,860
Current restricted assets:		
Cash	841,009	818,960
Total	\$ 4,406,986	\$ 4,641,820

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 3: CASH (continued)

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation ("FDIC"). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2021 and 2020, the Authority's bank balances were insured or exposed to credit risk as follows:

	2021	2020
Insured	\$ 325,691	\$ 250,000
Collateralized in the Authority's name under GUDPA	3,555,598	3,826,556
Uninsured and collateralized with securities held by the pledging bank's trust department but not in the Authority's name	496,450	472,864
	\$ 4,377,739	\$ 4,549,420

NOTE 4: INVESTMENTS

New Jersey authorities are limited as to the types of investments and types of financial institutions they may invest in. *N.J.S.A. 40A:5-15.1* provides a list of permissible investments that may be purchased by New Jersey authorities. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or other obligations of the local unit or units within which the Authority is located, bonds or other obligations approved by the Division of Investment in the Department of Treasury for investment by authorities, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. The Authority has no investment policy that would further limit its investment choices.

Custodial Credit Risk

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Authority's investments are not insured by the FDIC or GUDPA. All investments are held in the name of the Authority. The Authority's investments, totaling \$10,587,018 and \$10,587,397 as of December 31, 2021 and 2020, respectively, consist of Government National Mortgage Association Bonds and Notes (GNMA), Federal National Mortgage Association Bonds and Notes (FNMA), Federal Home Loan Mortgage Corporation (FHLMC) and Treasury Obligations. All investments are held in the name of the Authority.

As of December 31, 2021 and 2020, the Authority had the following investments and maturities:

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 4: INVESTMENTS (continued)

Custodial Credit Risk (continued)

	2021			
	Level 1	Level 2	Level 3	Total
Equity securities:				
U.S. government and agency obligations	\$ 2,807,789	\$ -	\$ -	\$ 2,807,789
Debt securities:				
Asset backed securities	-	7,437,075	-	7,437,075
	\$ 2,807,789	\$ 7,437,075	\$ -	\$ 10,244,864
	2020			
	Level 1	Level 2	Level 3	Total
Equity securities:				
U.S. government and agency obligations	\$ 4,066,352	\$ -	\$ -	\$ 4,066,352
Debt securities:				
Asset backed securities	-	6,520,666	-	6,520,666
	\$ 4,066,352	\$ 6,520,666	\$ -	\$ 10,587,018

As of December 31, 2021, U.S. government and agency obligations have an AAA credit rating and maturities range from 2045 to 2050. Asset backed securities have an AAA credit rating and maturities range from 2041 to 2050. As of December 31, 2020, U.S. government and agency obligations have a AAA credit rating and maturities range from 2044 to 2049. Asset backed securities have an AAA credit rating and maturities range from 2041 to 2050.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. Other than the rules and regulations promulgated by *N.J.S.A. 40A:5-15.1*, the Authority's investment policies place no limit on the amount the Authority may invest in any one issuer.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Other than the rules and regulations promulgated by *N.J.S.A. 40A:5-15.1*, the Authority does not have a formal investment policy that limits investment maturities as a means of managing its exposure; however, investments are matched with anticipated cash flows to minimize interest rate risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As stated in Note 1, investments are purchased in accordance with *N.J.S.A. 40A:5-15.1*. Other than the rules and regulations promulgated by *N.J.S.A. 40A:5-15.1*, the Authority has no investment policy that would further limit its exposure to credit risk.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2021 and 2020 consisted of the following:

	2021	2020
Accounts receivables - billed	\$ 1,246,796	\$ 921,008
Accounts receivables - unbilled	2,479,453	2,449,543
	\$ 3,726,249	\$ 3,370,551

The Authority bills in five cycles, four cycles are billed quarterly and one is billed monthly. Meters are read on the 1st of the month after each cycle ends but the billings in the system are not recorded as receivables until the bills are run, which is done on the 1st of the following month after the reading. Cycles 1 and 4 are billed in January, April, July and October; Cycle 2 is billed in February, May, August and November; Cycle 3 is billed in March, June, September and December; and Cycle 9 is billed monthly.

NOTE 6: ACCRUED TREATMENT FEES

The Authority makes quarterly payments to the Ocean County Utilities Authority (OCUA) for the treatment of its sewerage. These payments are based on gallons sent for treatment and are estimated billings. After the calendar year is over, in accordance with a service agreement executed by the parties, a final invoice is sent by the OCUA based upon actual flows. At the end of the year, the OCUA is required to provide Lacey Municipal Utilities Authority with a “Deficiency Notification” in accordance with Articles V and IX of the Service Agreement. The credit or (deficiency) is computed by taking the actual flows for the year and comparing this number to the estimated flows. The Authority has recorded a deficiency payable of \$156,212 and \$145,392 as of December 31, 2021 and 2020, respectively. Credits are recorded as revenue when received and deficiencies are recorded as expenses when billed.

NOTE 7: CAPITAL ASSETS, NET

The activity in capital assets for the year ended December 31, 2021 is as followed:

	Balance December 31, 2020	Additions	Retirements, Transfers and Adjustments	Balance December 31, 2021
Capital assets not being depreciated:				
Land and land improvements	\$ 1,538,084	\$ 11,100	\$ -	\$ 1,549,184
Construction in progress	1,537,811	1,821,455	(893,219)	2,466,047
Total capital assets not being depreciated	3,075,895	1,832,555	(893,219)	4,015,231
Capital assets being depreciated:				
Improvements other than building	96,355,376	468,258	892,025	97,715,659
Machinery and equipment	7,269,118	199,630	-	7,468,748
Furniture and fixtures	150,805	-	-	150,805
Building	3,261,073	-	-	3,261,073
Total capital assets being depreciated	107,036,372	667,888	892,025	108,596,285
Less: accumulated depreciation	(77,371,875)	(2,347,443)	-	(79,719,318)
Total capital assets being depreciated, net	29,664,497	(1,679,555)	892,025	28,876,967
Total capital assets, net	\$ 32,740,392	\$ 153,000	\$ (1,194)	\$ 32,892,198

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 7: CAPITAL ASSETS, NET (continued)

The activity in capital assets for the year ended December 31, 2020 is as followed:

	Balance December 31, 2019	Additions	Retirements, Transfers and Adjustments	Balance December 31, 2020
Capital assets not being depreciated:				
Land and land improvements	\$ 1,534,660	\$ 3,424	\$ -	\$ 1,538,084
Construction in progress	119,477	1,418,334	-	1,537,811
Total capital assets not being depreciated	<u>1,654,137</u>	<u>1,421,758</u>	<u>-</u>	<u>3,075,895</u>
Capital assets being depreciated:				
Improvements other than building	96,276,816	78,560	-	96,355,376
Machinery and equipment	7,024,495	244,623	-	7,269,118
Furniture and fixtures	150,805	-	-	150,805
Building	3,261,073	-	-	3,261,073
Total capital assets being depreciated	<u>106,713,189</u>	<u>323,183</u>	<u>-</u>	<u>107,036,372</u>
Less: accumulated depreciation	(74,952,498)	(2,419,377)	-	(77,371,875)
Total capital assets being depreciated, net	<u>31,760,691</u>	<u>(2,096,194)</u>	<u>-</u>	<u>29,664,497</u>
Total capital assets, net	<u>\$ 33,414,828</u>	<u>\$ (674,436)</u>	<u>\$ -</u>	<u>\$ 32,740,392</u>

NOTE 8: LONG-TERM LIABILITIES

During the years ended December 31, 2021 and 2020, the following changes occurred in long-term obligations:

	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Balance Due Within One Year
Revenue Bonds Payable	\$ 6,760,000	\$ -	\$ (1,375,000)	\$ 5,385,000	\$ 1,440,000
Unamortized Bond Premiums	1,455,442	-	(137,120)	1,318,322	137,120
Revenue Bonds Payable, Net	8,215,442	-	(1,512,120)	6,703,322	1,577,120
Compensated Absences	68,084	3,997	-	72,081	-
Net OPEB Liability	4,822,614	-	(47,632)	4,774,982	-
Net Pension Liability	3,256,127	-	(1,015,965)	2,240,162	-
	<u>\$ 16,362,267</u>	<u>\$ 3,997</u>	<u>\$ (2,575,717)</u>	<u>\$ 13,790,547</u>	<u>\$ 1,577,120</u>

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Balance Due Within One Year
Revenue Bonds Payable	\$ 8,520,000	\$ -	\$ (1,760,000)	\$ 6,760,000	\$ 1,375,000
Unamortized Bond Premiums	1,592,562	-	(137,120)	1,455,442	137,120
Revenue Bonds Payable, Net	10,112,562	-	(1,897,120)	8,215,442	1,512,120
Compensated Absences	39,244	28,840	-	68,084	68,084
Net OPEB Liability	3,391,665	1,430,949	-	4,822,614	-
Net Pension Liability	3,312,255	-	(56,128)	3,256,127	-
	<u>\$ 16,855,726</u>	<u>\$ 1,459,789</u>	<u>\$ (1,953,248)</u>	<u>\$ 16,362,267</u>	<u>\$ 1,580,204</u>

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 8: LONG-TERM LIABILITIES (continued)

Net Pension Liability

For details on the net pension liability, see the Pension Obligations in Note 10. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Compensated Absences

For the years ended December 31, 2021 and 2020, the Authority accrued compensated absences in the amount of \$72,081 and \$68,084, respectively.

Revenue Bonds Payable

Revenue bonds payable at December 31, 2021 and 2020 consist of the following:

	2021	2020
Series 2013 revenue refunding bond (water project) with interest rates of 2.00% to 5.00%, maturity dates serially beginning December 1, 2014 and ending December 1, 2028. Interest payment dates are June 1 and December 1.	\$ 695,000	\$ 790,000
Series 2017 revenue refunding bond (water project) with interest rates of 3.00% to 5.00%, maturity dates serially beginning December 1, 2017 and ending December 1, 2033. Interest payment dates are June 1 and December 1.	4,690,000	5,970,000
Total	5,385,000	6,760,000
Less: current portion	(1,440,000)	(1,375,000)
Bonds payable – long term	\$ 3,945,000	\$ 5,385,000

Revenue bonds outstanding as of December 31, 2021 are shown as followed:

Year Ending December 31,	Principal	Interest	Total
2022	\$ 1,440,000	\$ 238,968	\$ 1,678,968
2023	1,510,000	167,968	1,677,968
2024	615,000	92,468	707,468
2025	260,000	68,656	328,656
2026	265,000	58,806	323,806
2027-2031	1,030,000	141,156	1,171,156
2032-2033	265,000	10,630	275,630
	\$ 5,385,000	\$ 778,652	\$ 6,163,652

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 8: LONG-TERM LIABILITIES (continued)

Irrevocable Escrow Deposit Agreement (Series H Revenue Bonds)

Dated June 1, 1989, the Authority entered into an advance refunding of their 1981 Bonds. Pursuant to the resolution adopted by the Authority on said that, the Authority has authorized and directed issuance of a series of its Sewer Revenue Bonds (Series 1989) in the amount of \$6,960,000.

Pursuant to the resolution, certain moneys held by the Authority pursuant to the 1981 Bond Resolution, plus a portion of the proceeds from the sale of the Series 1989 Bonds were irrevocably deposited with an Escrow Agent in the sum of \$7,320,095 of which, together with income to be available from the investment portion of said sum, will be sufficient for payment of all installments of interest when due on outstanding 1981 Bonds through November 1, 2020 and also all principal of outstanding 1981 Bonds due upon the stated maturity dates thereof on November 1, 1989 through November 1, 2020. The Escrow Agent in this case was First National Bank of Toms River, NJ until 1992 when this was transferred to TD Bank (formerly known as Commerce Bank).

As of December 31, 2021, all debt service payments have been made.

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

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. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) annual financial statements, 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 participating employers. Under the provisions of Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees. Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations agreement.

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

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

General Information about the OPEB Plan (continued)

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

Basis of Presentation

The schedule of employer and nonemployer allocations and the schedule of OPEB amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of its participating employers or the State as a nonemployer contributing entity. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of the participating employers or the State. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of the Plan to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense (benefit). The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2021 were \$3,872,142,278 and \$14,177,910,609, respectively. The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2020 through June 30, 2021. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

Net OPEB Liability

The components of the collective net OPEB liability of the plan as of June 30, 2021 is as follows:

Total OPEB Liability	\$ 18,050,052,887
Plan's fiduciary net position	<u>50,271,652</u>
Net OPEB Liability	<u>\$ 17,999,781,235</u>

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. 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:

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Net OPEB Liability

Inflation:	2.50%
Salary Increases*:	
Public Employees' Retirement System (PERS):	
Rate through 2026	2.00% to 6.00%
Rate thereafter	3.00% to 7.00%
Police and Firemen's' Retirement System (PFRS):	
Rate for all future periods	3.25% to 15.25%
Mortality Rate Table:	
PERS:	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021
PFRS:	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

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

Actuarial assumptions used in the July 1, 2020 valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2013 to June 30, 2018 and July 1, 2014 to June 30, 2018, respectively.

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

OPEB Obligation and OPEB (Benefit) Expense

The Authority's proportionate share of the total Other Post-Employment Benefits Obligations was \$4,774,982. The OPEB Obligation was measured as of June 30, 2021, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The State's proportionate share of the OPEB Obligation associated with the Authority was based on projection of the State's long-term contributions to the OPEB plan associated with the Authority relative to the projected contributions by the State associated with all participating entities, actuarially determined. At June 30, 2021, the State proportionate share of the OPEB Obligation attributable to the Authority was 0.026528%, which was a decrease of 0.000344% from its proportion measured as of June 30, 2020. For the fiscal year ended June 30, 2021, the State of New Jersey recognized an OPEB (benefit) expense in the amount of \$735 for the State's proportionate share of the OPEB (benefit) expense attributable to the Authority. This OPEB (benefit) expense was based on the OPEB plans June 30, 2021 measurement date.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 5.6% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 through 2022 are reflected. The rates used for 2023 and 2024 are 21.83% and 18.53%, respectively, trending to 4.5% for all future years. For prescription drug benefits, the initial trend rate is 7% decreasing to a 4.5% long-term trend rate after seven years.

Discount Rate

The discount rate for June 30, 2020 was 2.16%. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

The following presents the collective net OPEB liability of the participating employers as of June 30, 2021, calculated using the discount rate as disclosed above as well as what the collective net OPEB liability would be if it was calculated using a discount rate that is 1-percentage point lower or 1-percentage-point higher than the current rate:

	At 1 % Decrease <u>(1.16%)</u>	At Discount <u>Rate (2.16%)</u>	At 1% Increase <u>(3.16%)</u>
State of New Jersey's proportionate share of total OPEB obligation associated with the Authority	\$ 5,619,238	\$ 4,774,982	\$ 4,105,891
State of New Jersey's total nonemployer OPEB Liability	\$ 21,182,289,882	\$ 17,999,781,235	\$ 15,477,574,697

Sensitivity of Net OPEB Liability to Changes in the Healthcare Trend Rate

The following presents the net OPEB liability as of June 30, 2021, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	<u>1 % Decrease</u>	Healthcare Cost <u>Trend Rate</u>	<u>1% Increase</u>
State of New Jersey's proportionate share of total OPEB obligation associated with the Authority	\$ 3,983,943	\$ 4,774,982	\$ 5,807,190
State of New Jersey's total nonemployer OPEB Liability	\$ 15,017,879,689	\$ 17,999,781,235	\$ 21,890,793,528

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Additional Information

The following is a summary of the deferred outflows of resources, deferred inflows of resources, and net OPEB liability balances as of June 30, 2021:

Balances at December 31, 2021 and December 31, 2020

	<u>12/31/2021</u>	<u>12/31/2020</u>
	June 30, 2021	June 30, 2020
Actuarial valuation date (including roll forward)		
Deferred Outflows of Resources	\$ 1,101,325	\$ 1,208,360
Deferred Inflows of Resources	2,272,153	2,427,084
Net OPEB Liability	4,774,982	4,822,614
Authority's portion of the plan's total OPEB Liability	0.02653%	0.02687%

OPEB Deferred Outflows/Inflows of Resources

At December 31, 2021, the Authority's proportionate share of the OPEB outflows and inflows, calculated by the plan as of the June 30, 2021 measurement date is \$1,101,325 and \$2,272,153, respectively. At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 107,145	\$ 998,997
Changes of assumptions	686,895	844,034
Net difference between projected and actual earnings on OPEB plan investments	2,283	-
Changes in proportion and differences between the Authority's contributions and proportion share of contributions	305,002	429,122
	<u>\$ 1,101,325</u>	<u>\$ 2,272,153</u>

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to OPEB that will be recognized in future periods:

Fiscal Year(s) Ending	Amount
December 31,	
2022	\$ (326,607)
2023	(327,008)
2024	(327,334)
2025	(199,720)
2026	(16,091)
Thereafter	<u>25,932</u>
Total	<u>\$ (1,170,828)</u>

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Changes in Proportion

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

Plan Membership

At June 30, 2020, the Program membership consisted of the following:

Active plan members	64,243
Retirees current receiving benefits	<u>32,624</u>
Total plan members	<u><u>96,867</u></u>

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the fiscal year ended June 30, 2021 (measurement date June 30, 2020) is as follows:

Service costs	\$ 846,075,674
Interest on the total OPEB Liability	413,837,061
Change of benefit terms	2,029,119
Differences between expected and actual experience	(1,196,197,410)
Changes of assumptions	339,165,715
Contributions from the employer	(325,097,477)
Contributions from nonemployer contributing entities	(37,777,433)
Net investment income	(201,343)
Administrative expenses	<u>11,334,383</u>
Net change in total OPEB Liability	53,168,289
Total OPEB Liability (beginning)	<u>17,946,612,946</u>
Total OPEB Liability (ending)	<u><u>\$ 17,999,781,235</u></u>

NOTE 10: PENSION OBLIGATIONS

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 PERS, please refer to

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 10: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Plan Description (continued)

Division's Annual Comprehensive Financial Report (ACFR) which can be found at <http://www.state.nj.us/treasury/pensions/annual-reports.shtml>. The vesting and benefit provisions are set by *N.J.S.A. 43:15A*. PERS provides retirement, death and disability benefits. All benefits vest after ten years of service. The following represents the membership tiers for PERS:

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

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

Basis of Presentation

The schedules of employer and nonemployer allocations and the schedules of pension amounts by employer and nonemployer (collectively, the Schedules) present amounts that are considered elements of the financial statements of PERS or its participating employers. Accordingly, they do not purport to be a complete presentation of the financial position or changes in financial position of PERS or the participating employers. The accompanying Schedules were prepared in accordance with U.S. generally accepted accounting principles. Such preparation requires management of PERS to make a number of estimates and assumptions relating to the reported amounts. Due to the inherent nature of these estimates, actual results could differ from those estimates.

Contributions

The contribution policy for PERS is set by *N.J.S.A. 43:15A* and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2021, the State's pension contribution was less than the actuarial determined amount.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 10: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2021, the Authority's contractually required contribution to PERS plan was \$221,457.

Components of Net Pension Liability

At December 31, 2021, the Authority's proportionate share of the PERS net pension liability was \$2,240,162. The net pension liability was measured as of June 30, 2021. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2020. The Authority's proportion measured as of June 30, 2021, was 0.019967% which was an increase of 0.001585% from its proportion measured as of June 30, 2020.

Balances at December 31, 2021 and December 31, 2020

	<u>12/31/2021</u>	<u>12/30/2020</u>
Actuarial valuation date (including roll forward)	June 30, 2021	June 30, 2020
Deferred Outflows of Resources	\$ 352,669	\$ 700,766
Deferred Inflows of Resources	1,596,171	1,396,044
Net Pension Liability	2,240,162	3,256,127
Authority's portion of the Plan's total Net Pension Liability	0.01891%	0.01997%

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 10: PENSION OBLIGATIONS (continued)

Pension (Benefit) Expense and Deferred Outflows/Inflows of Resources

At December 31, 2021, the Authority's proportionate share of the PERS expense (benefit), calculated by the plan as of the June 30, 2021 measurement date is \$(246,284) At December 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 35,330	\$ 16,037
Changes of Assumptions	11,667	797,512
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	590,118
Changes in Proportion and Differences between the Authority's Contributions and Proportionate Share of Contributions	305,672	192,504
	\$ 352,669	\$ 1,596,171

The Authority will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience		
Year of pension plan deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
June 30, 2019	5.21	-
June 30, 2020	5.16	-
June 30, 2021	5.13	-

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 10: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Pension (Benefit) Expense and Deferred Outflows/Inflows of Resources (continued)

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Changes in assumptions		
Year of pension plan deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
June 30, 2021	-	5.13
Net difference between projected and actual earnings on pension plan investments		
Year of pension plan deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
June 30, 2021	5.00	-
Changes in proportion and differences between the Authority's contributions and proportionate share of contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16
June 30, 2021	5.13	5.13

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 10: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Pension (Benefit) Expense and Deferred Outflows/Inflows of Resources (continued)

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

Year Ending December 30,	<u>Amount</u>
2022	\$ (444,262)
2023	(305,337)
2024	(227,857)
2025	(228,632)
2026	(37,414)
	<u>\$ (1,243,502)</u>

Actuarial Assumptions

The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

Inflation:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00% - 6.00% Based on Age
Thereafter	3.00% - 7.00% Based on Age
Investment Rate of Return	7.00%
Mortality Rate Table	Pub-2010 General Below – Median Income Employee Mortality table fully generational mortality improvement projections from the central year using Scale MP-2021
Period of Actuarial Experience Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 10: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Actuarial Assumptions (continued)

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

The actuarial assumptions used in the July 1, 2020 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018.

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2021) 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 rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2021 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	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Credit	13.00%	11.30%
Real Estate	8.00%	9.15%
Real Assets	3.00%	7.40%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 10: PENSION OBLIGATIONS (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, 2021. 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 78% 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 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 Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate

The following presents the Authority's proportionate share of the net pension liability calculated using the discount rate as disclosed above, as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00%) or 1-percentage-point higher (8.00%) than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's Proportionate Share of the Net Pension Liability	\$ 3,255,551	\$ 2,240,162	\$ 1,656,619

NOTE 11: AGREEMENT WITH TOLL BROTHERS, INC.

On June 4, 2008, the Authority entered into an agreement with Toll Brothers, Inc. (the "Developer") for upgrades to Water Plant No. 2. As part of this agreement, the Developer will fund the necessary upgrades for the completion of Sea Breeze at Lacey, a residential development located in the Forked River section of Lacey Township. The Developer provided the Authority with funding for this project totaling \$933,177 in 2008 as agreed upon by both parties.

As part of the agreement referred to above, in the event the Authority grants approval to any other property owner to connect to the improvements funded by the Developer within ten years after the final credit amount has been established, said property owner shall be required to pay the Authority, in addition to the customary connection fee and other fees, its fair share percentage of the actual cost of the improvements. The property owner's fair share percentage of the actual costs, which has been predetermined to be \$350 per equivalent dwelling unit (EDU), will be paid to the Developer semiannually until the Developer has been paid in full for the exact cost of the final credit amount or the expiration of ten years after the final credit amount has been established, whichever comes first. In the event that an insufficient number of persons connect to the improvements, the Authority will owe no responsibility to the Developer to make it whole with regard to the monies expended to oversize the water system.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 11: AGREEMENT WITH TOLL BROTHERS, INC. (continued)

The Developer, Tolls Brothers Inc., from August 1, 2012 through the issuance of certificates of occupancy for the next eighteen (18) units within the Project shall be entitled to, per Board approval, a \$35,000 total credit against the Authority's total connections fees (water and sewer).

NOTE 12: RISK MANAGEMENT

The Authority is exposed to various risk of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disaster. The Authority is a member of the New Jersey Utilities Authorities Joint Insurance Fund (JIF). The joint insurance pool is both an insured and self-administered group of 80 authorities established for the purpose of insuring against property damage, general liability, motor vehicles and equipment liability and workmen's compensation. The JIF will be self-sustaining through member premiums. The JIF participates in the Municipal Excess Liability Insurance program which has a contract for excess insurance. There were no settlements in excess of insurance coverage for 2021.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Schedule of the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Last Nine Fiscal Years *

	Measurement Date Ended June 30,								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability (asset)	0.01891%	0.01838%	0.01838%	0.01770%	0.01773%	0.01773%	0.01739%	0.01759%	0.01755%
Authority's proportionate share of the net pension liability (asset)	\$ 2,240,162	\$ 3,256,127	\$ 3,312,255	\$ 3,485,521	\$ 4,042,994	\$ 5,250,324	\$ 3,904,689	\$ 3,293,047	\$ 3,353,807
Authority's covered-employee payroll	\$ 1,399,786	\$ 1,341,034	\$ 1,256,498	\$ 1,241,613	\$ 1,213,193	\$ 1,217,814	\$ 1,212,914	\$ 1,192,243	\$ 1,187,543
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	160.04%	242.81%	263.61%	280.73%	333.25%	431.13%	321.93%	276.21%	282.42%
Plan fiduciary net position as a percentage of the total pension liability	70.33%	56.27%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Schedule of Authority Contributions
Public Employees' Retirement System
Last Nine Fiscal Years *

	For the year ended December 31,								
	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 221,457	\$ 218,431	\$ 178,808	\$ 176,082	\$ 160,896	\$ 157,487	\$ 149,545	\$ 144,997	\$ 132,222
Contributions in relation to the contractually required contribution	(221,457)	(218,431)	(178,808)	(176,082)	(160,896)	(157,487)	(149,545)	(144,997)	(132,222)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 1,461,783	\$ 1,399,786	\$ 1,341,034	\$ 1,256,498	\$ 1,241,613	\$ 1,213,193	\$ 1,217,814	\$ 1,212,914	\$ 1,192,243
Contributions as a percentage of covered-employee payroll	15.15%	15.60%	13.33%	14.01%	12.96%	12.98%	12.28%	11.95%	11.09%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

LACEY MUNICIPAL UTILITIES AUTHORITY
 (A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Schedule of the Authority's Proportionate Share of the Net Other Post-Employment Benefit Liability
Local Government Retired Employees Plan
 Last Six Fiscal Years *

	Measurement Date Ended June 30,					
	2021	2020	2019	2018	2017	2016
Authority's proportion of the other postemployment benefit liability (asset)	0.02653%	0.02504%	0.02504%	0.02504%	0.02607%	0.02669%
Authority's proportionate share of the net other postemployment benefit liability (asset)	\$ 4,774,982	\$ 4,822,614	\$ 3,391,655	\$ 4,084,444	\$ 5,448,566	\$ 6,176,230
Authority's covered-employee payroll	\$ 1,399,786	\$ 1,341,034	\$ 1,256,498	\$ 1,241,613	\$ 1,213,193	\$ 1,217,814
Authority's proportionate share of the net other postemployment benefit liability (asset) as a percentage of its covered-employee payroll	341.12%	359.62%	269.93%	328.96%	449.11%	507.16%
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	0.28%	0.91%	1.98%	1.97%	1.03%	0.69%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, governments should present information for those years for which information is available.

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Notes to the Required Supplementary Information

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

The June 30, 2021 measurement date includes one change in plan provisions as Chapter 140, P.L. 2021 reopened the Worker's Compensation Judges (WCJ) Part of PERS and transferred WCJs from the Defined Contribution Retirement Program (DCRP) and regular part of PERS into the WCJ Part of PERS.

Changes of Assumptions

The discount rate used as of June 30, measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2021	7.00%	2018	5.66%	2015	4.90%
2020	7.00%	2017	5.00%	2014	5.39%
2019	6.28%	2016	3.98%		

The long-term expected rate of return used as of June 30, measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2021	7.00%	2018	7.00%	2015	7.90%
2020	7.00%	2017	7.00%	2014	7.90%
2019	7.00%	2016	7.65%		

The mortality assumption was updated upon the direction from the Division of Pensions and Benefits.

Other Post-Employment Benefits (OPEB)

Changes of Benefit Terms

The increase in benefit terms from June 30, 2020 to June 30, 2021 was a result of employers adopting and or changing Chapter 48 provisions which provide different levels of subsidy than in the prior year.

Differences Between Expected and Actual Experiences

The increase in differences between expected and actual experiences from June 30, 2020 to June 30, 2021 was a result of changes to the census, claims and premiums experience.

Changes of Assumptions

The increase in changes in assumptions from June 30, 2020 to June 30, 2021 is a result of a change in the discount rate, trend update and the mortality projection scale update.

The discount rate used as of June 30, measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2021	2.16%	2018	3.87%
2020	2.21%	2017	3.58%
2019	3.50%	2016	2.85%

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Schedule of Revenues and Expenses - Budget to Actual
For the year ended December 31, 2021

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE
Revenues:				
User charges	\$ 9,929,417	\$ 9,929,417	\$ 9,979,182	\$ 49,765
Connection fees	325,000	325,000	820,535	495,535
Delinquent penalties	180,000	180,000	537	(179,463)
Application fees and permits	4,400	4,400	26,515	22,115
Other operating revenue	550,000	550,000	106,818	(443,182)
Interest income	120,000	120,000	208,196	88,196
Total revenues	11,108,817	11,108,817	11,141,783	32,966
Expenses:				
Cost of providing services:				
Salaries	913,629	913,629	944,564	(30,935)
Payroll taxes and fringe benefits	492,772	492,772	543,045	(50,273)
Connection fees	10,001	10,001	-	10,001
Treatment fees	3,110,030	3,110,030	3,124,877	(14,847)
Repairs and maintenance	3,314,400	3,318,900	2,610,247	708,653
Utilities and natural gas	257,000	251,450	206,163	45,287
Fuel, gas and oil	38,000	25,950	26,708	(758)
Chemicals	62,500	66,300	58,988	7,312
Lab tests	20,100	20,100	15,124	4,976
New Jersey water tax	7,500	13,500	7,448	6,052
Permits and fees	19,000	19,000	14,344	4,656
Uniforms	12,500	12,500	10,801	1,699
Tools and equipment	-	1,300	2,640	(1,340)
Training	7,800	4,100	3,794	306
Safety	13,800	13,000	12,606	394
Telephone	25,000	30,400	32,483	(2,083)
Miscellaneous	3,950	5,050	10,027	(4,977)
Total cost of providing services	8,307,982	8,307,982	7,623,859	684,123

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Schedule of Revenues and Expenses - Budget to Actual (continued)
For the year ended December 31, 2021

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Administrative and general expenses:				
Salaries	687,164	687,164	681,821	5,343
Payroll taxes and fringe benefits	541,888	541,888	395,294	146,594
Repairs and maintenance	48,600	48,600	39,652	8,948
Office supplies and expenses	11,000	11,000	6,716	4,284
Advertising, printing and postage	45,400	45,400	41,753	3,647
Utilities and natural gas	20,000	20,000	6,588	13,412
Telephone	10,600	10,600	8,996	1,604
Books and subscriptions	1,100	1,100	-	1,100
Professional fees	101,000	101,000	73,885	27,115
Professional development	8,000	8,000	105	7,895
Insurance	106,000	103,500	97,130	6,370
Computer expense	18,400	18,400	10,897	7,503
Environmental awareness	2,000	2,000	-	2,000
Paying agent/Bank fees	17,750	17,750	13,934	3,816
Membership fees	5,000	5,000	2,870	2,130
Miscellaneous	10,750	13,250	11,583	1,667
	<u>1,634,652</u>	<u>1,634,652</u>	<u>1,391,224</u>	<u>243,428</u>
Total administrative and general expenses				
Non-operating expenses:				
Interest paid	305,819	305,819	305,807	12
Debt service	1,375,000	1,375,000	1,375,000	-
	<u>1,680,819</u>	<u>1,680,819</u>	<u>1,680,807</u>	<u>12</u>
Total non-operating expenses				
Total expenses	<u>11,623,453</u>	<u>11,623,453</u>	<u>10,695,890</u>	<u>927,563</u>
Excess operational revenues over expenses	<u>\$ (514,636)</u>	<u>\$ (514,636)</u>	445,893	<u>\$ 960,529</u>
Plus:				
Capitalization of capital assets			2,068,973	
Adjustment for interest accrual			5,897	
Debt service			1,375,000	
Contributed capital assets			430,276	
Less:				
Depreciation			(2,347,443)	
Unrealized loss on investments			(527,748)	
Amortization			90,165	
Unbudgeted other postemployment benefits credit			95,528	
Unbudgeted pension credit			467,741	
Change in net position per Statements of Revenue, Expenses and Changes in Net Position			<u>\$ 2,104,282</u>	

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Schedule of Revenues and Expenses - Budget to Actual
For the year ended December 31, 2020

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Revenues:				
User charges	\$ 9,865,483	\$ 9,865,483	\$ 10,044,202	\$ 178,719
Connection fees	650,000	650,000	843,895	193,895
Delinquent penalties	180,000	180,000	46,876	(133,124)
Application fees and permits	4,400	4,400	11,020	6,620
Other operating revenue	285,000	285,000	122,772	(162,228)
Interest income	120,000	120,000	262,386	142,386
	<u>11,104,883</u>	<u>11,104,883</u>	<u>11,331,151</u>	<u>226,268</u>
Expenses:				
Cost of providing services:				
Salaries	889,163	889,163	884,056	5,107
Payroll taxes and fringe benefits	470,145	470,145	364,845	105,300
Treatment fees	3,069,640	3,069,640	3,093,862	(24,222)
Repairs and maintenance	3,469,500	3,468,550	2,126,342	1,342,208
Utilities and natural gas	267,000	254,100	193,445	60,655
Fuel, gas and oil	43,000	40,000	21,497	18,503
Chemicals	57,000	57,000	57,481	(481)
Lab tests	18,100	18,000	17,458	542
New Jersey water tax	7,500	7,500	13,460	(5,960)
Permits and fees	19,000	17,000	14,290	2,710
Uniforms	12,500	12,500	9,786	2,714
Tools and equipment	2,400	2,400	2,497	(97)
Training	7,800	6,800	1,936	4,864
Safety	13,800	13,800	13,412	388
Telephone	28,400	28,750	29,095	(345)
Miscellaneous	7,700	7,950	7,090	860
	<u>8,382,648</u>	<u>8,363,298</u>	<u>6,850,552</u>	<u>1,512,746</u>

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Schedule of Revenues and Expenses - Budget to Actual (continued)
For the year ended December 31, 2020

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Administrative and general expenses:				
Salaries	670,247	670,247	666,595	3,652
Payroll taxes and fringe benefits	515,807	515,807	255,627	260,180
Repairs and maintenance	48,600	52,100	42,367	9,733
Office supplies and expenses	11,000	11,000	8,474	2,526
Advertising, printing and postage	45,000	45,000	38,539	6,461
Utilities and natural gas	10,000	10,000	7,454	2,546
Telephone	7,000	7,150	6,235	915
Books and subscriptions	1,100	850	120	730
Professional fees	99,000	133,200	82,544	50,656
Professional development	8,000	4,500	255	4,245
Insurance	106,000	91,000	96,762	(5,762)
Computer expense	15,000	15,000	6,858	8,142
Environmental awareness	2,000	2,000	-	2,000
Paying agent	17,750	17,750	12,895	4,855
Membership fees	5,000	5,000	2,806	2,194
Miscellaneous	7,000	7,250	5,960	1,290
	<u>1,568,504</u>	<u>1,587,854</u>	<u>1,233,491</u>	<u>354,363</u>
Total administrative and general expenses				
Non-operating expenses:				
Interest paid	394,085	394,085	355,245	38,839
Debt service	1,760,000	1,760,000	1,760,000	-
	<u>2,154,085</u>	<u>2,154,085</u>	<u>2,115,245</u>	<u>38,839</u>
Total non-operating expenses				
Total expenses	<u>12,105,237</u>	<u>12,105,237</u>	<u>10,199,288</u>	<u>1,905,949</u>
Excess operational revenues over expenses	<u>\$ (1,000,354)</u>	<u>\$ (1,000,354)</u>	1,131,863	<u>\$ 2,132,217</u>
Plus:				
Capitalization of capital assets			1,685,803	
Adjustment for interest accrual			(23,646)	
Debt service			1,760,000	
Contributed capital assets			59,138	
Less:				
Depreciation			(2,419,377)	
Unrealized loss on investments			(324,889)	
Amortization			90,165	
Unbudgeted other postemployment benefits credit			91,629	
Unbudgeted pension expense			<u>35,116</u>	
Change in net position per Statements of Revenue, Expenses and Changes in Net Position			<u>\$ 2,085,802</u>	

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2021

Period Ending	Annual Interest Rate	Water Refunding Bonds (Series 2013)		
		Principal	Interest	Total
12/1/2022	4.00%	\$ 100,000	\$ 29,887	\$ 129,887
12/1/2023	5.00%	105,000	25,887	130,887
12/1/2024	3.25%	105,000	20,637	125,637
12/1/2025	3.50%	110,000	17,225	127,225
12/1/2026	5.00%	110,000	13,375	123,375
12/1/2027	5.00%	115,000	7,875	122,875
12/1/2028	4.25%	50,000	2,125	52,125
	Total	\$ 695,000	\$ 117,011	\$ 812,011

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2021

Period Ending	Annual Interest Rate	Water Revenue Bonds (Series 2017)		
		Principal	Interest	Total
12/1/2022	5.00%	\$ 1,340,000	\$ 209,081	\$ 1,549,081
12/1/2023	5.00%	1,405,000	142,081	1,547,081
12/1/2024	4.00%	510,000	71,831	581,831
12/1/2025	4.00%	150,000	51,431	201,431
12/1/2026	4.00%	155,000	45,431	200,431
12/1/2027	4.00%	160,000	39,231	199,231
12/1/2028	4.00%	170,000	32,831	202,831
12/1/2029	4.00%	170,000	26,031	196,031
12/1/2030	3.00%	180,000	19,231	199,231
12/1/2031	3.00%	185,000	13,831	198,831
12/1/2032	3.125%	190,000	8,281	198,281
12/1/2033	3.125%	75,000	2,344	77,344
Total		<u>\$ 4,690,000</u>	<u>\$ 661,635</u>	<u>\$ 5,351,635</u>

LACEY MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Lacey, County of Ocean, State of New Jersey)
Board of Commissioners and Management
December 31, 2021

James Knoeller..... Chairman
Michael J. Masciale Vice Chairman
Ralph Lanuto Treasurer
Jack H. Nosti..... Secretary
Alan Baker..... Alternate No. 1
Edward A. Woolf.....Executive Director



To the Chairman and Members
Lacey Municipal Utilities Authority
Forked River, New Jersey 08731

We have audited the financial accounts and transactions of the Lacey Municipal Utilities Authority, County of Ocean, State of New Jersey for the year ended December 31, 2021. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

Contracts and Agreements Required to be Advertised by (N.J.S.A.40A:11-4)

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$44,000, except by contract or agreement.

The Authority has a qualified purchasing agent on staff and therefore may award contracts up to \$44,000 from without competitive bids.

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

The minutes indicate that bids were requested by public advertising and awarded by resolution for the following items: Water treatment chemical supplies, Water Meters and AMI SmartPoint Units, Administration Building and Water Treatment Plant No. 2 Solar System, Cleaning and Televising at S-3, Pole Barn and Fixed AMR and Water Meter Upgrades.

The minutes also indicate that resolutions were adopted authorizing the awarding of contracts or agreements for "Professional Services," per *N.J.S.A.40A:11-5*.

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

Contracts and Agreements Required to be Advertised by (N.J.S.A.40A:11-4) (continued)

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$6,600 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (N.J.S.A.40A:11-6.1).

The supporting documentation indicated that quotes were requested for all items that required them.

Examination of Cash Receipts

A test check of cash receipts was performed. The results of the test did not disclose any discrepancies.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Examination of Payroll

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies.

Examination of Capital Assets

The capital asset subsidiary ledger was maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Budget Adoption

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. The Authority approved its operating and capital budget on November 4, 2020 and adopted its operating and capital budget on December 2, 2020.

Current Year Findings

There were no current year findings.

Follow-Up of Prior Years' Findings

In accordance with *government auditing standards* and audit requirements prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, our procedures included a review of all prior year findings. There were no prior year findings.

Acknowledgment

We received the complete cooperation of all the Authority officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

During our audit we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole. Should you have any questions, please feel free to reach out to us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

January 27, 2023
Lakewood, New Jersey