

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

Financial Statements and Supplementary Information

For the years ended December 31, 2023 and 2022

(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 Information

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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, 2023 and 2022, 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, 2023 and 2022, and the respective changes in financial position and where applicable, cash flows thereof 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.

Emphasis of Matter

Prior Period Restatement of Prior Year Financial Statements

We draw attention to Note 14 of the financial statements, which explains that the financial statements for the year ended December 31, 2022, have been restated to correct a material error related to the failure to capitalize certain capital assets in prior periods. As a result, the carrying value of capital assets has been adjusted, and prior year financial statements have been restated to reflect the capitalization of these assets in accordance with generally accepted accounting principles. Our opinion is not modified in respect of this matter.

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 September 23, 2024 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

September 23, 2024
Lakewood, New Jersey



**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 and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated September 23, 2024.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified certain deficiencies in internal control, described in the accompanying general comments and recommendations as finding 2023-001 that we consider to be a significant deficiency.

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

Lacey Municipal Utilities Authority Response to Findings

Government Auditing Standards requires the auditor to perform limited procedures on the Lacey Municipal Utilities Authority's response to the findings identified in our audit and described in the accompanying general comments and recommendations. The Lacey Municipal Utilities Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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

September 23, 2024
Lakewood, New Jersey



LACEY MUNICIPAL UTILITIES AUTHORITY

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

September 23, 2024

The Lacey Municipal Utilities Authority takes great pride in fiscal responsibility. The seven (7) member commission of the Authority strives to maintain water and sewer rates and provide outstanding service to our over 12,000 customers. The Authority maintains a five (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.

As management of the Lacey Municipal Utilities Authority, a component unit of the Township of Lacey, (hereafter referred to as the Authority), County of Ocean, State of New Jersey we offer readers of the Authority's financial statements this narrative overview and analysis of the financial activities for the years ended December 31, 2023 and 2022. The intent of this discussion and analysis is to look at the Authority's financial performance as a whole; readers should also review the information furnished in the notes to the financial statements and financial statements to enhance their understanding of the Authority's financial performance.

FINANCIAL HIGHLIGHTS

- The net position of the Authority, which represents the difference between the summation of assets and deferred outflows of resources, and the summation of liabilities and deferred inflows of resources, resulted in a surplus of \$846,352 at the close of the current year. As of the close of the current year, the Authority's total net position of \$33,048,244 increased by \$846,352 or 2%, in comparison with the prior year total net position of \$32,201,892.
- As described in Note 2: *Summary of Accounting Significant Policies* to the financial statements, the Authority has adopted the provisions of GASB Statement to No. 96, *Subscription-Based Information Technology Arrangements and Subscription-Based Information Technology Arrangements* for the year ended December 31, 2023. Implementation of these statements did not have a material impact on the Authority's financial statements.
- As described in Note 14: *Restatement of Prior-Year Financial Statements Due to Non-capitalization of Capital Assets* to the financial statements, the Authority restated the financial statements to correct the improper accounting treatment of certain capital assets. Prior year balances reflected in the MD&A have also been updated for comparison purposes. The Authority has implemented controls to prevent similar errors from occurring in the future, including enhanced oversight over the capitalization process and capital asset accounting.

FINANCIAL POSITION SUMMARY

During 2023, the Authority's net position increased by \$846,352, increasing from \$32,201,892 in 2022 to \$33,048,244. The analyses that follow focus on the net position (Table 1) and changes in net position (Table 2) of the Authority.

FINANCIAL POSITION SUMMARY (continued)

**Table 1 - Statements of Net Position
As of December 31,**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Current unrestricted assets	\$ 13,086,223	\$ 13,325,139	\$ 16,091,999
Current restricted assets	1,700,107	1,926,983	2,510,180
Non-current assets	359,340	424,744	-
Capital asset, net	30,729,562	32,281,912	32,892,198
Deferred outflow of resources	<u>3,385,311</u>	<u>2,577,671</u>	<u>2,419,107</u>
 Total assets and deferred outflow of resources	 <u>\$ 49,260,543</u>	 <u>\$ 50,536,449</u>	 <u>\$ 53,913,484</u>
	 <u>2023</u>	 <u>2022</u>	 <u>2021</u>
Current unrestricted liabilities	\$ 573,157	\$ 1,540,517	\$ 628,223
Current restricted liabilities	1,332,333	2,192,871	2,126,300
Long-term liabilities	10,729,486	10,962,183	12,214,164
Deferred inflow of resources	<u>3,577,323</u>	<u>3,638,986</u>	<u>4,157,434</u>
 Total liabilities and deferred inflows or resources	 <u>16,212,299</u>	 <u>18,334,557</u>	 <u>19,126,121</u>
Investments in capital assets, net of related debt	27,832,571	27,784,758	26,864,878
Restricted and unrestricted net position	<u>5,215,673</u>	<u>4,417,134</u>	<u>7,922,485</u>
Total net position	<u>33,048,244</u>	<u>32,201,892</u>	<u>34,787,363</u>
 Total liabilities, deferred inflow of resources and net position	 <u>\$ 49,260,543</u>	 <u>\$ 50,536,449</u>	 <u>\$ 53,913,484</u>

In total, assets and deferred outflows of resources decrease by \$1,275,906 while liabilities and deferred inflows of resources decreased by \$2,122,258. The decrease in assets and deferred inflows or resources was primarily attributable to the decrease in capital assets, net of \$1,552,350. The decrease in liabilities and deferred inflows of resource is primarily attributable a reduction in bonds payable, net of \$1,647,117, and a decrease in accounts payable of \$1,015,849.

\$27,832,571 of the Authority’s net position at the end of the current year reflects its net investment in capital assets (i.e. land, construction in progress, buildings and improvements, water and sewer infrastructure, various equipment, and vehicles). This component represents capital assets, net of accumulated depreciation, and net of outstanding balances of borrowings used for the acquisition, construction, or improvement of those assets. The Authority uses these assets to run their general operations consequently, these assets are not available for future spending. Although the Authority’s investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

\$5,278,977 of the Authority’s net position at the end of the current year is restricted to the provisions and restrictions of the Bond Resolutions and supplemental resolutions thereto (See note 2 of the notes to the financial statements).

FINANCIAL POSITION SUMMARY (continued)

The final component of net position is unrestricted. The unrestricted net position at year-end is a deficit of \$63,604. This component represents resources and uses that do not meet the criteria of any other component of net position. As stated previously, this deficit is directly attributable to the recognition of long-term liabilities, specifically related to pensions and other postemployment benefits, in which the Authority is not required to fund in accordance with State budgetary rules and regulations, but instead funds on a pay-as-you-go basis via contractual contributions. Table 2 that follows illustrates the changes in net position of the Authority.

**Table 2 - Statements of Revenue, Expenses and Changes in Net Position
For the years ended December 31,**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Operating revenues	\$ 11,012,760	\$ 11,091,078	\$ 10,933,587
Operating expenses	<u>9,281,903</u>	<u>8,970,405</u>	<u>8,730,284</u>
Operating revenues over expenses	1,730,857	2,120,673	2,203,303
Non-operating expenses	<u>(884,505)</u>	<u>(4,706,146)</u>	<u>(99,021)</u>
Change in net position	846,352	(2,585,473)	2,104,282
Net position, January 1	<u>32,201,892</u>	<u>34,787,365</u>	<u>32,683,083</u>
Net position, December 31	<u>\$ 33,048,244</u>	<u>\$ 32,201,892</u>	<u>\$ 34,787,365</u>

During 2023, the Authority’s operating revenues decreased by \$78,318, decreasing from \$11,091,078 in 2022 to \$11,012,760 in 2023.

Overall, in 2023, user charges constituted 90% of the Authority’s operating revenues, while connection fees, delinquency charges, and other operating revenues constituted 10% of total operating revenues.

Regarding operating expenses, the Authority experienced an increase of \$311,498 compared to 2022. This net increase is largely attributable to the cost of providing services increase of \$229,970 or 4% from 2022. Overall, in 2023, administration expenses constituted 15% of the Authority’s operating expenses, while cost of providing services and depreciation constituted 60% and 25%, respectively.

Regarding nonoperating expenses, the amount decreased by \$3,821,641, decreasing from \$4,706,146 in 2022 to \$844,505 in 2023. This decrease is largely attributable to a decrease in unrealized loss on investments of 4,156,512 which was offset by \$554,537 of interest income.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Authority's net investment in capital assets as of December 31, 2023, amounts to a historical cost of \$115,001,597, or \$30,729,562 net of accumulated depreciation (see Table 3 that follows). This net investment in capital assets includes land, construction in progress, buildings and improvements, water and sewer infrastructure, various equipment, and vehicles). The net change in capital assets was attributable to the following:

- the Authority had a net increase of \$232,014 of non-depreciable assets;
- the Authority had an increase of \$496,890 of depreciable assets; and
- depreciation expense for the current year was \$2,281,254.

**Table 3 - Summary of Capital Assets
As of December 31,**

	<u>2023</u>	<u>2022</u>	<u>2021</u>
Capital assets not being depreciated	\$ 3,154,703	\$ 2,922,689	\$ 4,015,232
Capital assets being depreciated	<u>111,846,894</u>	<u>111,350,004</u>	<u>108,596,284</u>
Total capital assets	115,001,597	114,272,693	112,611,516
Less: accumulated depreciation	<u>(84,272,035)</u>	<u>(81,990,781)</u>	<u>(79,719,318)</u>
Total capital assets, net	<u>\$ 30,729,562</u>	<u>\$ 32,281,912</u>	<u>\$ 32,892,198</u>

Additional information on the Authority's capital assets can be found in note 8 of the notes to financial statements.

Debt Administration

Bonds Payable. At the end of the current year, the Authority had total bonds outstanding of \$2,435,000 with \$615,00 due within one year.

Other Postemployment Benefits Liability. The Authority's annual required contributions to the state health benefit plan are budgeted and paid monthly. For additional details on the other postemployment benefits liability, see note 10 to the financial statements.

Net Pension Liability. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis. For additional details on the net pension liability, see note 11 to the financial statements.

Compensated Absences. At the end of the current year, the liability for compensated absences was \$62,087. Compensated absences are those absences for which employees will be paid, such as sick and vacation. Additional information on compensated absences can be found in note 9 to the financial statements.

Additional information on the Authority's debt can be found in note 9 of the notes to financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

For the 2023 year, the Authority was able to sustain its budget through revenues from user charges and related fees and other revenue sources. The 2024 budget was adopted on December 8, 2023, by the Commissioners.

CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT

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,

Troy Burton

Troy Burton
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, 2023 and 2022

	2023	2022 (Restated)
ASSETS		
Current unrestricted assets:		
Cash (Note 3)	\$ 2,801,621	\$ 4,241,604
Investments (Note 4)	6,842,754	5,203,590
Accounts receivable - billed (Note 5)	963,700	1,103,406
Accounts receivable - unbilled (Note 5)	2,176,197	2,441,591
Inventory	189,980	206,261
Treatment fee receivable (Note 6)	76,596	69,749
Current portion of lease receivable (Note 7)	35,375	58,938
Total current unrestricted assets	13,086,223	13,325,139
Current restricted assets:		
Cash (Note 3)	862,669	860,009
Investments (Note 4)	837,438	1,066,974
Total current restricted assets	1,700,107	1,926,983
Non-current assets:		
Lease receivable, net of current portion (Note 7)	359,340	424,744
Total non-current assets	359,340	424,744
Capital assets (Note 8)	115,001,597	114,272,693
Less: accumulated depreciation (Note 8)	(84,272,035)	(81,990,781)
Capital assets, net	30,729,562	32,281,912
Total assets	45,875,232	47,958,778
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows related to loss on bond refunding, net of accumulated amortization	796,595	880,854
Deferred outflows related to other postemployment benefits (Note 10)	2,227,045	1,188,328
Deferred outflows related to pensions (Note 11)	361,671	508,489
Total deferred outflow of resources	3,385,311	2,577,671
Total assets and deferred outflow of resources	\$ 49,260,543	\$ 50,536,449

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, 2023 and 2022

	2023	2022 (Restated)
LIABILITIES		
Current unrestricted liabilities:		
Accounts payable	\$ 210,162	1,226,011
Accrued expenses	362,995	314,506
Total current unrestricted liabilities	573,157	1,540,517
Current restricted liabilities:		
Bonds payable, net - current (Note 9)	752,119	1,647,117
Accrued interest	7,580	13,691
Developer deposits	572,634	532,060
Total current restricted liabilities	1,332,333	2,192,868
Long-term liabilities:		
Bonds payable, net - long-term (Note 9)	2,726,966	3,479,085
Net other postemployment benefits liability (Note 10)	4,935,201	4,407,709
Net pension liability (Note 11)	3,005,232	3,011,363
Compensated absences (Note 9)	62,087	64,029
Total long-term liabilities	10,729,486	10,962,186
Total liabilities	12,634,976	14,695,571
DEFERRED INFLOW OF RESOURCES		
Deferred inflows related to gain on bond refunding, net of accumulated amortization	214,501	251,806
Deferred inflows related to other postemployment benefits (Note 10)	2,938,187	2,622,711
Deferred inflows related to pensions (Note 11)	290,155	610,778
Deferred inflows related to lease receivable (Note 7)	134,480	153,691
Total deferred inflow of resources	3,577,323	3,638,986
NET POSITION		
Investments in capital assets, net of related debt	27,832,571	27,784,758
Restricted and unrestricted net position:		
Restricted for debt service	709,056	1,677,968
Restricted for capital	2,565,000	2,295,000
Restricted for rate stabilization	2,004,921	2,004,908
Unrestricted (Note 13)	(63,304)	(1,560,742)
Total restricted and unrestricted net position	5,215,673	4,417,134
Total net position	33,048,244	32,201,892
Total liabilities, deferred inflow of resources and net position	\$ 49,260,543	\$ 50,536,449

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, 2023 and 2022

	2023	2022 (Restated)
Operating revenues:		
User charges	\$ 9,947,806	\$ 10,077,851
Connection fees	703,350	734,200
Delinquency charges	151,097	68,762
Application fees and permits	12,550	27,780
OCUA Treatment fee credit	76,596	69,749
Other operating revenue	121,361	112,736
Total operating revenues	11,012,760	11,091,078
Operating expenses:		
Cost of providing services	5,539,950	5,309,980
Administrative and general	1,460,699	1,388,962
Depreciation	2,281,254	2,271,463
Total operating expenses	9,281,903	8,970,405
Operating revenues over expenses	1,730,857	2,120,673
Non-operating revenues (expenses):		
Interest income	522,681	202,387
Interest income from leasing arrangements	31,856	271,053
Unrealized and realized loss on investments	(930,560)	(5,087,072)
Municipal appropriation	(456,000)	-
Interest expense	(161,858)	(233,072)
Amortization expense, net	109,376	90,165
Contributed capital assets	-	50,393
Total non-operating revenue (expenses)	(884,505)	(4,706,146)
Change in net position	846,352	(2,585,473)
Net position, January 1	32,201,892	34,787,365
Net position, December 31, as restated	\$ 33,048,244	\$ 32,201,892

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, 2023 and 2022

	2023	2022 (Restated)
Cash flows from operating activities:		
Cash received from service users	\$ 11,521,343	\$ 10,875,058
Cash paid to suppliers	(5,484,309)	(2,889,529)
Cash paid to employees	(3,301,046)	(3,361,818)
Cash flows from operating activities	2,735,988	4,623,711
Cash flows from investing activities:		
Interest income and earnings on investments	(407,879)	(4,613,632)
Interest income from leasing arrangements	31,856	-
Purchase and maturity of investments	(1,409,628)	3,974,300
Cash flows from investing activities	(1,785,651)	(639,332)
Cash flows from capital and related financing activities:		
Principal paid on long-term debt	(1,490,787)	(1,439,999)
Acquisition and construction of capital assets	(728,904)	(1,610,784)
Interest paid	(167,969)	(238,969)
Cash flows from financing activities	(2,387,660)	(3,289,752)
Net change in cash	(1,437,323)	694,627
Unrestricted and restricted cash, January 1	5,101,613	4,406,986
Unrestricted and restricted cash, December 31	\$ 3,664,290	\$ 5,101,613
Reconciliation to Statements of Net Position:		
Current unrestricted assets:		
Cash	\$ 2,801,621	\$ 4,241,604
Current restricted assets:		
Cash	862,669	860,009
Unrestricted and restricted cash, December 31	\$ 3,664,290	\$ 5,101,613

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, 2023 and 2022

	2023	2022 (Restated)
Reconciliation of operating income to cash flows		
from operating activities:		
Operating income	\$ 1,730,857	\$ 2,120,673
Adjustments to reconcile operating income to cash flows provided (used) by operating activities:		
Depreciation	2,281,254	2,271,463
Municipal appropriation	(456,000)	-
Unbudgeted OPEB expenses (benefit)	(195,749)	(103,718)
Unbudgeted pension expense (benefit)	(179,936)	(370,012)
Changes in assets and liabilities:		
Accounts receivable	398,253	111,503
Inventory	16,281	17,819
Lease receivable	88,967	(483,682)
Accounts payable and accrued expenses	(967,360)	912,294
Deferred inflows of resources related to lease receivables	(19,211)	153,691
Compensated absences	(1,942)	(8,788)
Developer deposits	40,574	2,468
Cash flows from operating activities	\$ 2,735,988	\$ 4,623,711

Noncash Investing, Capital, and Financing Activities:

During the years ended December 31, 2023 and 2022, noncash capital contributions received were \$-0- and \$50,393, 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

The 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. As of December 31, 2023, and 2022, respectively, the Authority did not have cash equivalents.

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.

Accounts Receivable

Accounts receivable consist primarily of amounts due from customers for services provided by the Authority including water, sewer, and other utility services. Accounts receivable are recorded at their invoiced amounts, less an allowance for doubtful accounts. The Authority evaluates the collectability of accounts receivable based on the age of outstanding balances and historical collection experience. An allowance for doubtful accounts is recorded when it is probable that some portion of the receivables will not be collected. Receivables are written off when deemed uncollectible. Interest and penalties may be charged on delinquent customer accounts, and these amounts are recognized when incurred. Customer deposits, if required, are applied against unpaid receivable balances when accounts become delinquent or are closed.

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. As of December 31, 2023 and 2022, inventory balances were \$189,980 and \$206,261, respectively.

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:

	Years
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.

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)

Deferred Outflows and Deferred Inflows of Resources (continued)

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.

Compensated Absences

Compensated absences represent amounts to which employees are entitled to base 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.

Other Post-employment Benefits and Pension

GASB Statement No. 75, *Accounting and Financial Reporting for the Post-employment Benefits Other Than Pensions* requires participating employers in the New Jersey State Health Benefit Local Government Retired Employees (OPEB Plan) plan to recognize their proportionate share of the collective total OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense based on the ratio of plan members of an individual employer to the total members of the plan. See Note 10: *Other post-employment Benefits Other Than Pension* for more information about the plan.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* requires participating employers, including the Authority, in the State of New Jersey Public Employees Retirement System (PERS) plan to recognize their proportionate share of the collective total pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense based on the ratio of plan members of an individual employer to the total members of the plan. See Note 11: *Pension Obligations* for more information about the plan.

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:

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)

Net Position (continued)

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".

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.

Leases

The Authority is a lessor for noncancellable leases of telecommunications site on its water tower to Sprint Spectrum, L.P. The Authority recognizes a lease receivable in its financial statements. The Authority recognizes lease receivables for leases with a term greater than 12 months. At the commencement of a lease, the Authority initially measures the lease receivable at the present value of payments expected to be received during the lease term. Subsequently, the lease receivable is reduced by the principal portion of lease payments received. The deferred inflow of resources is initially measured as the initial amount of the lease receivable, adjusted for lease payments received at or before the lease commencement. Subsequently, the deferred inflow of resources is recognized as revenue over the life of the lease term. Key estimates and judgments related to leases include how the Authority determines: 1) the discount rate it uses to discount the expected lease receivable to present value, 2) lease term, and 3) lease revenue:

- The Authority uses a rate of 3.25% at the lease inception date as the discount rate.
- The lease term includes the noncancellable period of the lease.
- Lease payments included in the measurement of the lease receivable are composed of fixed and variable payments expected to be received during the lease period.

The Authority monitors changes in circumstances that would require a remeasurement of its lease and will remeasure the lease asset and receivable if certain changes occur that are expected to significantly affect the amount of the lease receivable.

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)

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make certain estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the statement of net position and reported amounts of revenues and expenses during the reporting period. These estimates and assumptions include depreciation expense, the allowance for doubtful accounts and certain claims and judgment liabilities, among other accounts. Estimates and assumptions are reviewed periodically, and the effects of revisions are reflected in the financial statements in the period they are determined to be necessary. Actual results may differ from those estimates.

Impact of Recently Issued Accounting Principles

Accounting Pronouncements Adopted in Current Year

The following GASB Statements became effective for the fiscal year ended December 31, 2023:

- Statement No. 96, *Subscription-Based Information Technology Arrangements*.
- Statement No. 99, *Omnibus 2022*.

Management has determined that the implementation of these statements did not have a significant impact on the Authority's financial statements.

Accounting Pronouncements Effective in Future Reporting Periods

The following accounting pronouncements will become effective in future reporting periods:

- Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement 62*. The requirements of this statement are effective for fiscal years beginning after June 15, 2023.
- Statement No. 101, *Compensated Absences*. The requirements of this statement are effective for fiscal years beginning after December 15, 2023.
- Statement No. 102, *Certain Risk Disclosures*. The requirements of this Statement are effective for fiscal years beginning after June 15, 2024.

Management has not yet determined the potential impact these Statements will have on the Authority's financial statements.

Subsequent Events

The Authority has evaluated subsequent events occurring after December 31, 2023 through September 23, 2024, which is the date the financial statements were available to be issued.

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

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.

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 ensure 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, 2023 and 2022, and reported at fair value are as follows:

<u>Type:</u>	<u>Carrying Value</u>	
	<u>2023</u>	<u>2022</u>
Deposits:		
Demand deposits	\$ 3,663,768	\$ 5,101,091
Petty cash	522	522
Total deposits	\$ 3,664,290	\$ 5,101,613
 Reconciliation to the Statements of Net Position:		
Current unrestricted assets:		
Cash	\$ 2,801,621	\$ 4,241,604
Current restricted assets:		
Cash	862,669	860,009
Total	\$ 3,664,290	\$ 5,101,613

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, 2023 and 2022, the Authority’s bank balances were insured or exposed to credit risk as follows:

	2023	2022
Insured	\$ 293,128	\$ 335,294
Collateralized in the Authority's name under GUDPA	2,760,799	4,213,381
Uninsured and collateralized with securities held by the pledging bank's trust department but not in the Authority's name	517,144	493,298
	\$ 3,571,071	\$ 5,041,973

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 \$7,680,190 and \$6,270,564 as of December 31, 2023 and 2022, 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, 2023 and 2022, 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)

	2023			
	Level 1	Level 2	Level 3	Total
Equity securities:				
U.S. government and agency obligations	\$ 2,957,746	\$ -	\$ -	\$ 2,957,746
Debt securities:				
Asset backed securities	-	4,722,446	-	4,722,446
Total equity securities	\$ 2,957,746	\$ 4,722,446	\$ -	\$ 7,680,192
	2022			
	Level 1	Level 2	Level 3	Total
Equity securities:				
U.S. government and agency obligations	\$ 1,523,555	\$ -	\$ -	\$ 1,523,555
Debt securities:				
Asset backed securities	-	4,747,009	-	4,747,009
Total equity securities	\$ 1,523,555	\$ 4,747,009	\$ -	\$ 6,270,564

As of December 31, 2023, 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, 2022, U.S. government and agency obligations have a 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.

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, 2023 and 2022 consisted of the following:

	2023	2022
Accounts receivables - billed	\$ 963,700	\$ 1,103,406
Accounts receivables - unbilled	2,176,197	2,441,591
Total	\$ 3,139,897	\$ 3,544,997

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, 4, 5, and 8 are billed in January, April, July, and October; Cycles 2 and 6 are billed in February, May, August and November; Cycles 3 and 7 are 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 recorded a credit of \$76,596 and \$69,749 as of December 31, 2023 and 2022, respectively.

NOTE 7: LEASE RECEIVABLE

The Authority has entered into a lease agreement to lease the Authority’s telecommunications site on its water tower. The lease terms arrange is for twenty-five years including noncancellable period of the lease and extensions the Authority is reasonably certain to exercise and vary with every agreement. The agreement allows for a five percent annual increase to the lease payments on the anniversary of the agreement. The required payments to be received range from \$27,000 to \$87,078. During the fiscal year, the Authority recognized \$88,967 in lease revenues and \$31,856 in interest income related to the agreement. Lease receivables for the year ended December 31, 2023, was \$394,715. Also, the Authority has deferred inflows of resources associated with this lease that will be recognized as revenues over the lease terms. The deferred inflows of resources related to lease receivables are amortized on a straight-line basis over the terms of the related lease. Deferred inflows of resources related to lease receivables for the year ended December 31, 2023, was \$134,480. The following is a schedule of the remaining future minimum rent payments to be received under these lease obligations at December 31,:

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: LEASE RECEIVABLE

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 35,375	\$ 29,604	64,979
2025	41,277	26,951	68,228
2026	47,784	23,855	71,639
2027	54,950	20,271	75,221
2028	62,832	16,150	78,982
2029 - 2030	152,497	17,512	170,009
Total	<u>\$ 394,715</u>	<u>\$ 134,343</u>	<u>\$ 529,058</u>

NOTE 8: CAPITAL ASSETS, NET

The activity in capital assets for the years ended December 31, 2023 and 2022, is as followed:

	<u>Balance December 31, 2022</u>	<u>Additions</u>	<u>Retirements, Transfers and Adjustments</u>	<u>Balance December 31, 2023</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 1,549,185	\$ -	\$ -	\$ 1,549,185
Construction in progress	1,373,504	661,902	(429,888)	1,605,518
Total capital assets not being depreciated	<u>2,922,689</u>	<u>661,902</u>	<u>(429,888)</u>	<u>3,154,703</u>
Capital assets being depreciated:				
Improvements other than building	99,759,045	-	429,888	100,188,933
Machinery and equipment	8,179,082	67,002	-	8,246,084
Furniture and fixtures	150,804	-	-	150,804
Building	3,261,073	-	-	3,261,073
Total capital assets being depreciated	<u>111,350,004</u>	<u>67,002</u>	<u>429,888</u>	<u>111,846,894</u>
Less: accumulated depreciation	(81,990,781)	(2,281,254)	-	(84,272,035)
Total capital assets being depreciated, net	<u>29,359,223</u>	<u>(2,214,252)</u>	<u>429,888</u>	<u>27,574,859</u>
Total capital assets, net	<u>\$ 32,281,912</u>	<u>\$ (1,552,350)</u>	<u>\$ -</u>	<u>\$ 30,729,562</u>
	<u>Balance December 31, 2022</u>	<u>Additions</u>	<u>Retirements, Transfers and Adjustments</u>	<u>Balance December 31, 2023</u>
Capital assets not being depreciated:				
Land and land improvements	\$ 1,549,185	\$ -	\$ -	\$ 1,549,185
Construction in progress	1,373,504	661,902	(429,888)	1,605,518
Total capital assets not being depreciated	<u>2,922,689</u>	<u>661,902</u>	<u>(429,888)</u>	<u>3,154,703</u>
Capital assets being depreciated:				
Improvements other than building	99,759,045	-	429,888	100,188,933
Machinery and equipment	8,179,082	67,002	-	8,246,084
Furniture and fixtures	150,804	-	-	150,804
Building	3,261,073	-	-	3,261,073
Total capital assets being depreciated	<u>111,350,004</u>	<u>67,002</u>	<u>429,888</u>	<u>111,846,894</u>
Less: accumulated depreciation	(81,990,781)	(2,281,254)	-	(84,272,035)
Total capital assets being depreciated, net	<u>29,359,223</u>	<u>(2,214,252)</u>	<u>429,888</u>	<u>27,574,859</u>
Total capital assets, net	<u>\$ 32,281,912</u>	<u>\$ (1,552,350)</u>	<u>\$ -</u>	<u>\$ 30,729,562</u>

Depreciation expense for the years ended December 31, 2023 and 2022 was \$2,281,254 and \$2,271,463, respectively.

LACEY MUNICIPAL UTILITIES AUTHORITY
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Notes to Financial Statements (continued)

NOTE 9: LONG-TERM LIABILITIES

During the years ended December 31, 2023 and 2022, the following changes occurred in long-term obligations:

	Balance December 31, 2022	Additions	Reductions	Balance December 31, 2023	Balance Due Within One Year
Revenue Bonds Payable	\$ 3,945,000	\$ -	\$ (1,510,000)	\$ 2,435,000	\$ 615,000
Unamortized Bond Premiums	1,181,202	-	(137,117)	1,044,085	137,119
Revenue Bonds Payable, Net	5,126,202	-	(1,647,117)	3,479,085	752,119
Compensated Absences	64,029	-	(1,942)	62,087	-
Net OPEB Liability	4,407,709	527,492	-	4,935,201	-
Net Pension Liability	3,011,363	-	(6,131)	3,005,232	-
Total	<u>\$ 12,609,303</u>	<u>\$ 527,492</u>	<u>\$ (1,655,190)</u>	<u>\$ 11,481,605</u>	<u>\$ 752,119</u>

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Balance Due Within One Year
Revenue Bonds Payable	\$ 5,385,000	\$ -	\$ (1,440,000)	\$ 3,945,000	\$ 1,510,000
Unamortized Bond Premiums	1,318,322	-	(137,120)	1,181,202	137,117
Revenue Bonds Payable, Net	6,703,322	-	(1,577,120)	5,126,202	1,647,117
Compensated Absences	72,061	-	(8,032)	64,029	-
Net OPEB Liability	4,774,982	-	(367,273)	4,407,709	-
Net Pension Liability	2,240,162	771,201	-	3,011,363	-
Total	<u>\$ 13,790,527</u>	<u>\$ 771,201</u>	<u>\$ (1,952,425)</u>	<u>\$ 12,609,303</u>	<u>\$ 1,647,117</u>

Compensated Absences

For the years ended December 31, 2023 and 2022, the Authority accrued compensated absences in the amount of \$62,087 and \$64,029, respectively.

Other Postemployment Benefits Liability

For details on the other postemployment benefits liability, see Note 10: *Postemployment Benefits Other Than Pensions*. The Authority's contribution into the postemployment benefits plan is budgeted and paid on an annual basis.

Net Pension Liability

For details on the net pension liability, see the Pension Obligations in Note 11: *Pension Obligations*. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Revenue Bonds Payable

Revenue bonds payable at December 31, 2023 and 2022 consist of the following:

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: LONG-TERM LIABILITIES (continued)

	2023	2022
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.	\$ 490,000	\$ 595,000
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.	1,945,000	3,350,000
Total	2,435,000	3,945,000
Less: current portion	(615,000)	(1,510,000)
Bonds payable – long term	\$ 1,820,000	\$ 2,435,000

Revenue bonds outstanding as of December 31, are shown as follows:

	Principal	Interest	Total
2024	\$ 615,000	\$ 92,468	\$ 707,468
2025	260,000	68,656	328,656
2026	265,000	58,806	323,806
2027	275,000	47,106	322,106
2028	220,000	34,956	254,956
2029-2033	800,000	69,725	869,725
Total	\$ 2,435,000	\$ 371,717	\$ 2,806,717

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)

General Information about the Other Post-employment Benefits 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

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: OTHER POSTEMPLOYMENT BENEFITS (OPEB)(continued)

General Information about the Other Post-employment Benefits Plan (continued)

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.

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, 2023, were \$3,461,898,890 and \$11,427,677,896, 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, 2022, through June 30, 2023. 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.

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: OTHER POSTEMPLOYMENT BENEFITS (OPEB)(continued)

Net OPEB Liability

The components of the collective net OPEB liability of the plan as of June 30, 2023, is as follows:

Total OPEB liability	\$ 14,889,576,786
Plan fiduciary net position	<u>(116,962,691)</u>
Net OPEB liability	<u>\$ 15,006,539,477</u>

The total OPEB liability as of June 30, 2023, was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases*:

PERS:

Rate for all future years 2.75% to 6.55%

Police and Firemen’s Retirement System (PFRS):

Rate of all future years 3.25% to 16.25%

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, 2022, valuation were based on the results of the PFRS and PERS experience studies prepared for July 1, 2018, to June 30, 2021.

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

OPEB Obligation and OPEB (Benefit) Expense

The Authority’s proportionate share of the total OPEB Obligations was \$4,935,201. The OPEB Obligation was measured as of June 30, 2023, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. 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, 2022, the State proportionate share of the OPEB Obligation attributable to the Authority was 0.032887%, which was an increase of 0.005594% from its proportion measured as of June 30, 2022.

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: OTHER POSTEMPLOYMENT BENEFITS (OPEB)(continued)

OPEB Obligation and OPEB (Benefit) Expense (continued)

For the fiscal year ended June 30, 2023, the State of New Jersey recognized an OPEB (benefit) expense in the amount of \$(35,588) 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, 2023, measurement date.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.50% and decreases to a 4.5% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend rate is increasing to 14.8% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For HMO, the trend is increasing to 17.4% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.50% decreasing to a 4.5% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

Discount Rate

The discount rate for June 30, 2023, was 3.65%. 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, 2023, 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:

	1 % Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
State’s proportionate share of the Net OPEB Liability associated with the Authority	\$ 5,716,535	\$ 4,935,201	\$ 4,306,737
State’s Total Nonemployer OPEB Liability	\$ 17,382,355,978	\$ 15,006,539,477	\$ 13,095,561,553

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: OTHER POSTEMPLOYMENT BENEFITS (OPEB)(continued)

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

The following presents the net OPEB liability as of June 30, 2023, 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>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
State's proportionate share of the Net OPEB Liability associated with the Authority	\$ 4,194,340	\$ 4,935,201	\$ 5,883,729
State's Total Nonemployer OPEB Liability	\$ 12,753,792,805	\$ 15,006,539,477	\$ 17,890,743,651

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, 2023:

	<u>Balance December 31,</u>	
	<u>2023</u>	<u>2022</u>
	June 30, 2023	June 30, 2022
Actuarial valuation date (including roll forward)		
Deferred Outflows of Resources	\$ 2,227,045	\$ 1,188,328
Deferred Inflows of Resources	2,938,187	1,395,023
Net OPEB Liability	4,935,201	4,407,709
Authority's portion of the plan's total Net OPEB Liability	0.03289%	0.02729%

OPEB Deferred Outflows/Inflows of Resources

At December 31, 2023, the Authority's proportionate share of the OPEB outflows and inflows, calculated by the plan as of the June 30, 2023 measurement date is \$2,227,045 and \$2,938,187, respectively. At December 31, 2023, 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	\$ 227,586	\$ 1,340,239
Changes of assumptions	639,294	1,395,023
Net difference between projected and actual earnings on pension plan investments	-	814
Changes in proportion	1,360,165	202,111
	<u>\$ 2,227,045</u>	<u>\$ 2,938,187</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 10: OTHER POSTEMPLOYMENT BENEFITS (OPEB)(continued)

OPEB Deferred Outflows/Inflows of Resources (continued)

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:

Year Ending December 31,	Amount
2024	\$ (394,460)
2025	(293,154)
2026	(82,653)
2027	49,141
2028	(69,311)
Thereafter	79,295
Total	\$ (711,142)

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 7.89, 7.82, 7.82, 7.87, 8.05, 8.14 and 8.04 years for the 2023, 2022, 2021, 2020, 2019, 2018 and 2017 amounts, respectively.

Plan Membership

At July 1, 2022, the Program membership consisted of the following:

Active plan members	65,613
Retirees currently receiving benefits	34,771
Total plan members	100,384

Changes in the Total OPEB Liability

The change in the State's Total OPEB liability for the measurement date June 30, 2022, is as follows:

Service cost	\$ 597,135,801
Interest on Total OPEB Liability	581,375,849
Changes in benefit terms	23,039,435
Differences in expected and actual experience	(2,123,324,632)
Changes in assumptions	255,103,873
Contributions from the employer	(431,386,179)
Contributions from non-employer contributing entities	(55,614,980)
Net investment income	(2,001,914)
Administrative expenses	12,616,746
Net changes	(1,143,056,001)
Total OPEB Liability (Beginning)	<u>16,149,595,478</u>
Total OPEB Liability (Ending)	<u>\$ 15,006,539,477</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 11: 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 Division's Annual Comprehensive Financial Report (ACFR), which can be found at <http://www.nj.gov/treasury/pensions/financial-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. 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.

Basis of Presentation

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.

LACEY MUNICIPAL UTILITIES AUTHORITY
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Notes to Financial Statements (continued)

NOTE 11: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

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 2023, the State's pension contribution was more than the actuarial determined amount. 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, 2023, the Authority's contractually required contribution to PERS plan was \$277,304.

Components of Net Pension Liability

On December 31, 2023, the Authority's proportionate share of the PERS net pension liability was \$3,005,232. The net pension liability was measured as of June 30, 2023. 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, 2022, which was rolled forward to June 30, 2023. 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, 2023. The Authority's proportion measured as of June 30, 2023, was 0.0207480991% which was an increase of 0.0007939026% from its proportion measured as of June 30, 2022.

	Balance December 31,	
	2023	2022
	June 30, 2023	June 30, 2022
Actuarial valuation date (including roll forward)		
Deferred Outflows of Resources	\$ 361,671	\$ 508,489
Deferred Inflows of Resources	290,155	610,778
Net Pension Liability	3,005,232	3,011,363
Authority's portion of the plan's total Net Pension Liability	0.02075%	0.01995%

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

On December 31, 2023, the Authority's proportionate share of the PERS (benefit) expense, calculated by the plan as of the June 30, 2023, measurement date is \$97,368. On December 31, 2023, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 28,734	\$ 12,284
Changes of assumptions	6,602	182,130
Net difference between projected and actual earnings on pension plan investments	13,839	-
Changes in proportion and differences between the Authority's contributions and proportion share of contributions	312,496	95,741
	\$ 361,671	\$ 290,155

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 31,	Amount
2024	\$ (115,314)
2025	(45,210)
2026	167,109
2027	21,203
2028	43,728
Total	\$ 71,516

Special Funding Situation

Under *N.J.S.A. 43:15A-15*, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State, are Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability, deferred outflows of resources, or deferred inflows of resources to report in the financial statements of the local participating employers related to the legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer.

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: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Special Funding Situation

In addition, each local participating employer must recognize pension expense associated with the employers as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

Additionally, the State has no proportionate share of the PERS net pension liability attributable to the Authority as of December 31, 2023. On December 31, 2023, the State's proportionate share of the PERS expense, associated with the Authority, calculated by the plan as of the June 30, 2023, measurement date was \$9,372.

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:

2.75% - 6.55%
Based on Years of Service

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, 2018 - June 30, 2021

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.

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: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Actuarial Assumptions

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2023) is determined by the State Treasurer, after consultation with the Directors of the Division of 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, 2023, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long –Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.98%
Non-U.S. Developed Markets Equity	12.75%	9.22%
International Small Cap Equity	1.25%	9.22%
Emerging Markets Equity	5.50%	11.13%
Private Equity	13.00%	12.50%
Real Estate	8.00%	8.58%
Real Assets	3.00%	8.40%
High Yield	4.50%	6.97%
Private Credit	8.00%	9.20%
Investment Grade Credit	7.00%	5.19%
Cash Equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Risk Mitigation Strategies	3.00%	6.21%

Discount Rate

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

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: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

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	\$ 3,945,156	\$ 3,005,232	\$ 2,252,134

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 2023 and 2022.

NOTE 13: DEFICIT UNRESTRICTED NET POSITION

The Authority had a deficit in unrestricted net position in the amount of (\$63,304) at December 31, 2023. The primary cause of this deficit is due to the recording of the net pension liability and other net postemployment benefit liability, as required by generally accepted accounting principles. If this was not required, the unrestricted net position before the net pension liability and net other postemployment benefit liability and deferred outflows and inflows related to these liabilities would be \$8,516,755 as of December 31, 2023. This deficit in unrestricted net position does not indicate that the Authority is facing financial difficulties.

NOTE 14: RESTATEMENT OF PRIOR-YEAR FINANCIAL STATEMENTS DUE TO NON-CAPITALIZATION OF CAPITAL ASSETS

In the current year, management identified an error in the previously issued financial statements relating to the improper accounting treatment of certain capital assets. Specifically, during prior years, certain capital expenditures were incorrectly expensed instead of being capitalized in accordance GAAP.

Impact of the Restatement

As a result of this error, the prior year's financial statements have been restated to reflect the correct capitalization of capital assets. The restatement affects the following accounts:

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 14: RESTATEMENT OF PRIOR-YEAR FINANCIAL STATEMENTS DUE TO NON-CAPITALIZATION OF CAPITAL ASSETS (continued)

1. **Statements of Net Position:** Capital assets (construction in progress) have been increased by \$536,728 to reflect the capitalization of expenditures. Accumulated depreciation related to these assets has not been impacted due to this error.
2. **Statements of Revenue, Expenses and Changes in Net Position:** Operating expenses (cost of operations) have been reduced by \$536,728 for prior periods due to the reclassification of expenditures as capital assets.
3. **Statements of Cash flows:** The restatement has also affected the cash flow statement. Previously, these expenditures were classified as operating cash outflows. With the correction, these amounts are now reclassified as capital and related financing cash outflows for the acquisition of capital assets. As a result, net cash provided by operating activities has increased by \$536,728 while net cash used in capital and related financing activities has increased by the same amount for prior periods. There is no impact on the overall net change in cash.
4. **Net Investment in Capital Assets, Net of Related Debt:** The net impact on net position at the beginning of the earliest comparative period is an increase of \$536,728 reflecting the cumulative effect of the adjustments.

A summary of the restatement's effect on the relevant financial statement line items is presented below:

	<u>As Previously Reported</u>	<u>Adjustment</u>	<u>as Restated</u>
Capital assets, net	\$ 31,745,184	\$ 536,728	\$ 32,281,912
Operating expenses (cost of operations)	5,846,708	(536,728)	5,309,980
Net investment in Capital Assets, Net of Related Debt	27,248,030	536,728	27,784,758
Net Cash Flows from Operating Activities			
Net Cash Flows from Capital and Related Financing Activities	4,086,983 (3,749,782)	536,728 536,728	4,623,711 (3,289,752)

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 Ten Fiscal Years

	Measurement Date Ended June 30,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion of the net pension liability	0.02075%	0.01995%	0.01891%	0.01838%	0.01838%	0.01770%	0.01773%	0.01773%	0.01739%	0.01759%
Authority's proportionate share of the net pension liability	\$ 3,005,232	\$ 3,011,363	\$ 2,240,162	\$ 3,256,127	\$ 3,312,255	\$ 3,485,521	\$ 4,042,994	\$ 5,250,324	\$ 3,904,689	\$ 3,293,047
Authority's covered-employee payroll	\$ 1,527,872	\$ 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
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	196.69%	206.01%	160.04%	242.81%	263.61%	280.73%	333.25%	431.13%	321.93%	276.21%
Plan fiduciary net position as a percentage of the total pension liability	65.23%	62.91%	70.33%	56.27%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%

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 Ten Fiscal Years

	For the year ended December 31,									
	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 277,304	\$ 251,632	\$ 221,457	\$ 218,431	\$ 178,808	\$ 176,082	\$ 160,896	\$ 157,487	\$ 149,545	\$ 144,997
Contributions in relation to the contractually required contribution	(277,304)	(251,632)	(221,457)	(218,431)	(178,808)	(176,082)	(160,896)	(157,487)	(149,545)	(144,997)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 1,608,209	\$ 1,527,872	\$ 1,461,783	\$ 1,399,786	\$ 1,341,034	\$ 1,256,498	\$ 1,241,613	\$ 1,213,193	\$ 1,217,814	\$ 1,212,914
Contributions as a percentage of covered-employee payroll	17.24%	16.47%	15.15%	15.60%	13.33%	14.01%	12.96%	12.98%	12.28%	11.95%

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 Seven Fiscal Years *

	Measurement Date Ended June 30,						
	2023	2022	2021	2020	2019	2018	2017
Authority's proportion of the other postemployment benefit liability	0.03289%	0.02729%	0.02653%	0.02504%	0.02504%	0.02607%	0.02669%
Authority's proportionate share of the net other postemployment benefit liability	\$ 4,935,201	\$ 4,407,709	\$ 4,774,982	\$ 4,822,614	\$ 3,391,655	\$ 4,084,444	\$ 5,448,566
Authority's covered-employee payroll	\$ 1,527,872	\$ 1,461,783	\$ 1,461,783	\$ 1,341,034	\$ 1,256,498	\$ 1,241,613	\$ 1,213,193
Authority's proportionate share of the net other postemployment benefit liability (asset) as a percentage of its covered-employee payroll	323.01%	301.53%	326.65%	359.62%	269.93%	328.96%	449.11%
Plan fiduciary net position (deficit) as a percentage of the total other postemployment benefit liability	(0.79%)	(0.36%)	0.28%	0.91%	1.98%	1.97%	1.03%

* 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

None noted.

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>
2023	7.00%	2018	5.66%
2022	7.00%	2017	5.00%
2021	7.00%	2016	3.98%
2020	7.00%	2015	4.90%
2019	6.28%	2014	5.39%

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>
2023	7.00%	2018	7.00%
2022	7.00%	2017	7.00%
2021	7.00%	2016	7.65%
2020	7.00%	2015	7.90%
2019	7.00%	2014	7.90%

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

Other Post-Employment Benefits (OPEB)

Changes in Benefits

The increase in benefit terms from June 30, 2022, to June 30, 2023 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, 2022, to June 30, 2023 was a result of an update in census information, and premiums and claims experience.

Changes of Assumptions

The increase in changes in assumptions from June 30, 2022, to June 30, 2023 is a result of a change in the discount rate, trend update, and an experience study update.

The discount rate used as of June 30, measurement date for the last six fiscal years is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2023	3.65%	2020	2.21%	2017	3.58%
2022	3.54%	2019	3.50%	2016	2.85%
2021	2.16%	2018	3.87%		

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, 2023

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE
Revenues:				
User charges	\$ 10,168,572	\$ 10,168,572	\$ 9,947,806	\$ (220,766)
Connection fees	560,000	560,000	703,350	143,350
Delinquent penalties	180,000	180,000	151,097	(28,903)
Application fees and permits	4,400	4,400	12,550	8,150
OCUA credits	-	-	76,596	76,596
Other operating revenue	195,000	195,000	121,361	(73,639)
Interest income	120,000	120,000	522,681	402,681
	<u>11,227,972</u>	<u>11,227,972</u>	<u>11,535,441</u>	<u>307,469</u>
Expenses:				
Cost of providing services:				
Salaries	1,060,404	1,060,404	1,011,781	48,623
Payroll taxes and fringe benefits	669,887	669,887	702,944	(33,057)
Treatment fees	3,150,420	3,150,420	3,029,250	121,170
Repairs and maintenance	2,623,900	2,640,750	1,285,000	1,355,750
Utilities and natural gas	247,000	202,000	176,001	25,999
Fuel, gas and oil	44,000	42,800	36,351	6,449
Chemicals	72,500	81,500	127,745	(46,245)
Lab tests	22,100	22,100	12,975	9,125
New Jersey water tax	7,500	8,100	8,034	66
Permits and fees	19,000	22,350	22,319	31
Uniforms	13,500	13,800	11,524	2,276
Tools and equipment	3,000	3,300	2,734	566
Training	7,800	5,400	4,918	482
Safety	13,800	10,550	7,473	3,077
Telephone	25,000	32,400	43,354	(10,954)
Miscellaneous	3,950	5,000	6,817	(1,817)
	<u>7,983,761</u>	<u>7,970,761</u>	<u>6,489,220</u>	<u>1,481,541</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, 2023

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Administrative and general expenses:				
Salaries	763,398	763,398	713,125	50,273
Payroll taxes and fringe benefits	652,944	652,944	495,569	157,375
Repairs and maintenance	48,600	42,900	39,617	3,283
Office supplies and expenses	11,000	11,000	9,352	1,648
Advertising, printing and postage	49,400	51,800	51,748	52
Utilities and natural gas	13,000	6,300	2,561	3,739
Telephone	23,000	21,800	8,738	13,062
Books and subscriptions	1,100	1,100	-	1,100
Professional fees	113,000	132,600	116,034	16,566
Professional development	8,000	2,500	1,511	989
Insurance	115,200	126,800	126,500	300
Computer expense	18,400	15,500	15,347	153
Environmental awareness	2,000	-	-	-
Paying agent/Bank fees	17,400	21,690	22,228	(538)
Membership fees	5,000	4,700	4,083	617
Miscellaneous	10,750	10,160	9,605	555
	<u>1,852,192</u>	<u>1,865,192</u>	<u>1,616,018</u>	<u>249,174</u>
Total administrative and general expenses				
Non-operating expenses:				
Interest paid	167,969	167,969	167,969	-
Debt service	1,510,000	1,510,000	1,509,997	3
Municipal appropriation	456,000	456,000	456,000	-
	<u>2,133,969</u>	<u>2,133,969</u>	<u>2,133,966</u>	<u>3</u>
Total non-operating expenses				
Total expenses	<u>11,969,922</u>	<u>11,969,922</u>	<u>10,239,204</u>	<u>1,730,718</u>
Excess operational revenues over expenses	<u>\$ (741,950)</u>	<u>\$ (741,950)</u>	1,296,237	<u>\$ 2,038,187</u>
Plus:				
Capitalization of capital assets			728,904	
Adjustment for interest accrual			6,111	
Debt service			1,509,997	
Interest income from leasing arrangements			31,856	
Less:				
Depreciation			(2,281,254)	
Realized and unrealized loss on investments			(930,560)	
Amortization			109,376	
Unbudgeted other postemployment benefit (expense)			195,749	
Unbudgeted pension benefit (expense)			<u>179,936</u>	
Change in net position per Statements of Revenue, Expenses and Changes in Net Position			<u>\$ 846,352</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, 2022

	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE
Revenues:				
User charges	\$ 10,232,136	\$ 10,232,136	\$ 10,077,851	\$ (154,285)
Connection fees	448,000	448,000	734,200	286,200
Delinquent penalties	180,000	180,000	68,762	(111,238)
Application fees and permits	4,400	4,400	27,780	23,380
OCUA treatment fee credit		-	69,749	69,749
Other operating revenue	535,000	535,000	112,736	(422,264)
Interest income	120,000	120,000	202,387	82,387
	<hr/>	<hr/>	<hr/>	<hr/>
Total operating revenues	11,519,536	11,519,536	11,293,465	(226,071)
Expenses:				
Cost of providing services:				
Salaries	1,004,495	1,004,495	965,106	39,389
Payroll taxes and fringe benefits	585,381	585,381	687,031	(101,650)
Treatment fees	3,150,420	3,150,420	3,029,250	121,170
Repairs and maintenance	3,379,400	3,373,500	2,065,126	1,308,374
Utilities and natural gas	257,000	257,000	255,000	2,000
Fuel, gas and oil	38,000	38,000	37,807	193
Chemicals	62,500	71,700	50,650	21,050
Lab tests	20,100	15,600	11,935	3,665
New Jersey water tax	7,500	7,800	7,799	1
Permits and fees	19,000	18,300	14,979	3,321
Uniforms	13,500	13,800	12,624	1,176
Tools and equipment	-	100	2,439	(2,339)
Training	7,800	8,300	7,660	640
Safety	13,800	13,300	5,815	7,485
Telephone	25,000	25,400	29,159	(3,759)
Miscellaneous	3,950	4,750	8,993	(4,243)
	<hr/>	<hr/>	<hr/>	<hr/>
Total cost of providing services	8,587,846	8,587,846	7,191,373	1,396,473

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, 2022

	<u>ORIGINAL BUDGET</u>	<u>AMENDED BUDGET</u>	<u>ACTUAL</u>	<u>VARIANCE</u>
Administrative and general expenses:				
Salaries	715,720	715,720	724,417	(8,697)
Payroll taxes and fringe benefits	535,730	535,730	502,746	32,984
Repairs and maintenance	48,600	43,020	43,376	(356)
Office supplies and expenses	11,000	9,280	9,276	4
Advertising, printing and postage	45,400	41,800	41,576	224
Utilities and natural gas	10,000	7,600	1,999	5,601
Telephone	17,000	20,600	11,311	9,289
Books and subscriptions	1,100	1,100	-	1,100
Professional fees	105,000	106,100	98,263	7,837
Professional development	8,000	5,300	4,103	1,197
Insurance	106,000	115,300	115,200	100
Computer expense	18,400	32,050	20,775	11,275
Environmental awareness	2,000	-	-	-
Paying agent	17,400	13,500	11,009	2,491
Membership fees	5,000	4,700	3,511	1,189
Miscellaneous	10,781	5,331	4,521	810
Total administrative and general expenses	<u>1,657,131</u>	<u>1,657,131</u>	<u>1,592,083</u>	<u>65,048</u>
Non-operating expenses:				
Interest paid	238,969	238,969	238,969	-
Debt service	1,440,000	1,440,000	1,440,000	-
Total non-operating expenses	<u>1,678,969</u>	<u>1,678,969</u>	<u>1,678,969</u>	<u>-</u>
Total expenses	<u>11,923,946</u>	<u>11,923,946</u>	<u>10,462,425</u>	<u>1,461,521</u>
Excess operational revenues over expenses	<u>\$ (404,410)</u>	<u>\$ (404,410)</u>	831,040	<u>\$ 1,235,450</u>
Plus:				
Capitalization of capital assets			1,610,784	
Adjustment for interest accrual			5,897	
Debt service			1,440,000	
Contributed capital assets			50,393	
Interest income from leasing arrangements			271,053	
Less:				
Depreciation			(2,271,463)	
Realized and unrealized loss on investments			(5,087,072)	
Amortization			90,165	
Unbudgeted other postemployment benefit (expense)			103,718	
Unbudgeted pension benefit (expense)			<u>370,012</u>	
Change in net position per Statements of Revenue, Expenses and Changes in Net Position			<u>\$ (2,585,473)</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, 2023

Period Ending	Annual Interest Rate	Water Refunding Bonds (Series 2013)		
		Principal	Interest	Total
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	\$ 490,000	\$ 61,237	\$ 551,237

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, 2023

Period Ending	Annual Interest Rate	Water Revenue Bonds (Series 2017)		
		Principal	Interest	Total
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>\$ 1,945,000</u>	<u>\$ 310,473</u>	<u>\$ 2,255,473</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, 2023

James Knoeller..... Chairman

Michael J. Masciale Vice Chairman

Ralph Lanuto Treasurer

Jack H. Nosti..... Secretary

Alan Baker..... Alternate No. 1

Ed Woolf..... Executive Director



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

We have audited the financial accounts and transactions of the Lacey Municipal Utilities Authority, a component unit of the Township of Lacey, County of Ocean, State of New Jersey for the year ended December 31, 2023. 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, furnish and delivery of water meters and radios, and replacement generator and diesel tank.

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 not maintained properly and a reconciliation between the physical and perpetual inventory records was not performed at year-end, in which the results of our tests disclosed a significant deficiency as follows:

Finding No. 2023-001: Restatement of Prior Year Financial Statements Due to Non-capitalization of Capital Assets

Condition and Context: During the current year audit, it was identified that certain capital asset purchases made in the prior year were incorrectly expensed rather than capitalized in accordance with U.S. GAAP.

Effect: This resulted in an overstatement of expenses and an understatement of both capital assets and net position in the prior year's financial statements. Due to these errors, the prior year financial statements have been restated to properly capitalize the capital assets and adjust net loss and net position accordingly. The restatement ensures that the financials now present a true and fair view of the Authority's financial position.

Recommendation: We recommend strengthening the Authority's oversight (review) process for capital expenditures and ensuring compliance with U.S. GAAP capitalization rules.

Management's Response: Management has implemented controls to prevent similar errors from occurring in the future, including enhanced oversight over the capitalization process and capital asset accounting.

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 2, 2022, and adopted its operating and capital budget on December 7, 2022.

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

September 23, 2024
Lakewood, New Jersey