

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson
County of Ocean, State of New Jersey)

Financial Statements and Supplementary Information

For the years ended December 31, 2022 and 2021

(With Independent Auditor's Report thereon)

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township Jackson, County of Ocean, State of New Jersey)

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JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)

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Certified Public Accountants + Advisors

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INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members
of the Jackson Township Municipal Utilities Authority
County of Ocean
Jackson Township, New Jersey

Opinion

We have audited the accompanying financial statements of the business-type activities of the Jackson Township Municipal Utilities Authority (hereafter referred to as the Authority), a component unit of the Township of Jackson, County of Ocean, State of New Jersey, as of and for the years ended December 31, 2022 and 2021, 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, 2022 and 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and in compliance with audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with 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 required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's

responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information, as listed in the table of contents, 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 other supplementary information is 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 December 5, 2023, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely 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 the effectiveness of the Authority's 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

December 5, 2023
Lakewood, New Jersey



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

Honorable Chairman and Members
of Jackson Township Municipal Utilities Authority
County of Ocean
Jackson Township, 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 Jackson Township Municipal Utilities Authority, a component unit of the Township of Jackson, County of Ocean, State of New Jersey (herein referred to as “the Authority”), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority’s basic financial statements and have issued our report thereon dated December 5, 2023.

Report on Internal Control over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that have not been identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

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

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

December 5, 2023
Lakewood, New Jersey



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MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) is an element of required supplementary information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34 – "Basic Financial Statement and Management's Discussion and Analysis for State and Local Governments" issued in June 1999.

Financial Statements

The financial statements included on this report are the statements of net position, statements of revenues, expenses and changes in net position and statements of cash flows as of and for the years ended December 31, 2022, and 2021.

The statement of net position show the financial position of the Jackson Township Municipal Utilities Authority (Authority) at December 31st of each year. Assets are compared with liabilities and net position is the result.

The statement of revenues, expenses, and changes in net position measure performance for each year and how this performance impacts the Authority's net position.

Finally, the statement of cash flows demonstrates why cash balances increased or decreased during the year.

Financial Analysis

The Authority, at December 31, 2022, had total assets and deferred outflow of resources of \$122,677,251 compared to \$121,748,231 at December 31, 2021. The total assets and deferred outflow of resources increased by \$929,020 from 2021 to 2022 primarily due to the implementation of GASB 87: *Leases*, which resulted in a lease receivable of \$1,046,587 for the year ended December 31, 2022. The Authority, at December 31, 2021, had total assets and deferred outflow of resources of \$121,748,231 compared to \$121,277,756 at December 31, 2020. The total assets and deferred outflow of resources increased by \$470,475 from 2020 to 2021 primarily due to an increase in the Authority's Total Assets offset by the decrease in the Deferred Outflows related to pension and postemployment benefits.

The Authority's liabilities and deferred inflow of resources of \$55,911,023 at year end December 31, 2022 decreased from the December 31, 2021 balance of \$56,851,375 primarily due to the Authority paying down debt. The Authority's liabilities and deferred inflow of resources of \$56,851,375 at year end December 31, 2021 decreased from the December 31, 2020 balance of \$59,205,621 primarily due to the Authority paying down debt.

In summary, the Authority's net position for the year ended December 31, 2022, reflects an increase of \$1,869,372 from 2021, which was primarily due to net income before contributions of \$1,824,772 in addition to \$44,600 worth of capital contributions. Authority's net position for the year ended December 31, 2021, reflects an increase of \$2,824,721 from 2020, which was primarily due to net income before contributions of \$549,306 in addition to \$2,275,415 worth of capital contributions. The Authority's activity for the year improved from 2021 to 2022.

The Authority's net income for 2022 was \$1,869,372 which includes \$4,860,973 for annual depreciation and amortization. The increase in net income before contributions of \$1,275,466 from 2021 to 2022 was due to an increase in operating revenues of \$1,877,557 caused by customer growth during 2022 that was reflected in the water/sewer charges as well as water/sewer connection fees. Non-operating gains also increased by \$250,067, which was primarily due to interest income on lease receivables, amortization of loan premium, capital reimbursement and debt service

reimbursement all in connection with the New Jersey Infrastructure Bank loan (NJIB) that the Authority closed on in 2021.

The capital contributions received for the year, which represent water and sewer infrastructure that is accepted by the Authority, totaled \$2,275,415 in 2021 and \$44,600 in 2022.

The Authority's net income before contributions for 2021 was \$549,306 which includes \$4,495,910 for annual depreciation and amortization. The increase in the net income of \$359,217 before contributions from 2020 to 2021 was due to an increase in operating revenues of \$921,685 caused by customer growth during 2021 that was reflected in the water/sewer charges as well as water/sewer connection fees along with an increase in the non-operating revenues of \$738,575 that was primarily due to a one-time waived loan issuance cost, amortization of loan premium, and debt service reimbursement all in connection with the New Jersey Infrastructure Bank loan (NJIB) that the Authority closed on in 2021. The combined increase of \$1,660,260 in the operating/non-operating revenues help to offset the increase of the operating/non-operating expenses of \$1,301,043 related primarily to the 2021 NJIB loans.

Condensed Financial Information

Key Authority financial information for the years 2022, 2021, and 2020 include the following balances:

	2022	2021	2020
ASSETS			
Unrestricted current assets	\$ 10,836,819	\$ 11,789,693	\$ 10,529,171
Restricted current assets	5,372,074	3,495,249	3,728,078
Unrestricted non-current assets	712,970	-	-
Property, plant and equipment, net of depreciation	102,062,361	103,059,800	102,768,631
Total assets	<u>118,984,224</u>	<u>118,344,742</u>	<u>117,025,880</u>
DEFERRED OUTFLOW OF RESOURCES			
Deferred outflows related to pensions	1,047,486	476,337	995,837
Deferred outflows related to other postemployment benefits	2,645,541	2,927,152	3,256,039
Total deferred outflow of resources	<u>3,693,027</u>	<u>3,403,489</u>	<u>4,251,876</u>
Total assets and deferred outflow of resources	<u>\$ 122,677,251</u>	<u>\$ 121,748,231</u>	<u>\$ 121,277,756</u>
LIABILITIES			
Current liabilities payable from current unrestricted assets	\$ 1,323,016	\$ 775,688	\$ 1,037,160
Current liabilities payable from current restricted assets	2,876,694	2,829,605	22,308,387
Non-current liabilities	43,643,907	45,388,242	27,772,325
Total liabilities	<u>47,843,617</u>	<u>48,993,535</u>	<u>51,117,872</u>
DEFERRED INFLOW OF RESOURCES			
Deferred inflows related to pensions	911,161	2,564,716	2,400,450
Deferred inflows related to other postemployment benefits	5,908,936	4,996,124	5,345,299
Deferred inflows related to lease receivable	997,309	-	-
Gain on loan refundings, net of accumulated amortization	250,000	297,000	342,000
Total deferred inflow of resources	<u>8,067,406</u>	<u>7,857,840</u>	<u>8,087,749</u>
NET POSITION			
Net investment in capital assets	71,092,863	70,114,434	69,158,259
Restricted for debt service fund	2,234,821	2,247,262	1,121,024
Closure account	50,000	50,000	50,000
Unrestricted	(6,611,456)	(7,514,840)	(8,257,148)
Total net position	<u>66,766,228</u>	<u>64,896,856</u>	<u>62,072,135</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 122,677,251</u>	<u>\$ 121,748,231</u>	<u>\$ 121,277,756</u>

OTHER FINANCIAL INFORMATION:

	<u>2022</u>	<u>2021</u>	<u>2020</u>
Total operating and non-operating revenues	\$ 16,782,827	\$ 14,888,325	\$ 13,228,065
Total operating and non-operating expenses	<u>14,958,055</u>	<u>14,339,019</u>	<u>13,037,976</u>
Deficiency of revenues over expenses	<u>\$ 1,824,772</u>	<u>\$ 549,306</u>	<u>\$ 190,089</u>
Capital additions	\$ 3,869,645	\$ 5,039,667	\$ 3,750,114
Capital contributions	\$ 44,600	\$ 2,275,415	\$ 108,041
Connection fees - non-cash	\$ 800,630	\$ 507,009	\$ 422,211
Bonds and notes paid down	\$ (1,664,739)	\$ (21,737,515)	\$ (7,652,317)
Bonds and notes received	\$ -	\$ 19,159,245	\$ 6,876,802
Bonds and notes payable	\$ 30,719,498	\$ 32,648,336	\$ 33,268,372

The Authority's 2022 operating revenues exceeded budget expectations by \$253,639 primarily due to lower than expected water usage, as well as more than expected connection fees which improved in 2022 compared to 2021 due to various projects being completed during the prior year. The Authority's 2021 operating revenues were below budget expectations by \$879,890 primarily due to lower than expected water usage, as well as fewer than expected connection fees which improved in 2021 compared to 2020 due to various projects being completed during the year.

The Authority's total 2022 operating expenses exceeded budget expectations by \$34,471 for the year due to increases in utility charges, chemicals and various other expense lines.

The Authority's total 2021 operating expenses were under budget by \$142,302 for the year due savings on OCUA charges and various other expense lines.

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 135 Manhattan Street, Jackson, New Jersey during the Authority's business hours.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Net Position
December 31, 2022 and 2021

ASSETS	<u>2022</u>	<u>2021</u>
Current unrestricted assets:		
Cash and cash equivalents	\$ 5,614,120	\$ 7,126,050
Accounts receivable	4,537,139	4,377,273
Insurance receivable	32,665	-
Inventory	318,090	284,297
Lease receivable	333,617	-
Other assets	1,188	2,073
Total current unrestricted assets	<u>10,836,819</u>	<u>11,789,693</u>
Current restricted assets:		
Cash and cash equivalents	<u>5,372,074</u>	<u>3,495,249</u>
Total current restricted assets	<u>5,372,074</u>	<u>3,495,249</u>
Total current assets	<u>16,208,893</u>	<u>15,284,942</u>
Non-current unrestricted assets:		
Lease receivable, net of current portion	<u>712,970</u>	<u>-</u>
Total non-current unrestricted assets	<u>712,970</u>	<u>-</u>
Capital assets:		
Non-depreciable	8,092,048	6,762,930
Depreciable	156,204,415	153,693,534
Accumulated depreciation	<u>(62,234,102)</u>	<u>(57,396,664)</u>
Net capital assets	<u>102,062,361</u>	<u>103,059,800</u>
Total assets	<u>118,984,224</u>	<u>118,344,742</u>
DEFERRED OUTFLOW OF RESOURCES		
Deferred outflows related to pensions	1,047,486	476,337
Deferred outflows related to other postemployment benefits	<u>2,645,541</u>	<u>2,927,152</u>
Total deferred outflow of resources	<u>3,693,027</u>	<u>3,403,489</u>
Total assets and deferred outflow of resources	<u>\$ 122,677,251</u>	<u>\$ 121,748,231</u>

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

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Net Position (continued)
December 31, 2022 and 2021

	2022	2021
LIABILITIES		
Current liabilities payable from current unrestricted assets:		
Accounts payable	\$ 748,334	\$ 251,745
Accrued expenses	100,152	123,017
Pensions payable	465,817	392,838
Unearned revenues	8,713	8,088
Total current liabilities payable from current unrestricted assets	1,323,016	775,688
Current liabilities payable from current restricted assets:		
Current portion of loans payable - NJIB, net	1,919,486	1,898,866
Current portion of loan payable - other	30,000	30,000
Accrued interest payable	225,208	243,636
Developer and customer deposits	702,000	657,103
Total current liabilities payable from current restricted assets	2,876,694	2,829,605
Total current liabilities	4,199,710	3,605,293
Non-current liabilities:		
Long-term portion of loans payable - NJIB, net	28,710,012	30,629,500
Long-term portion of loan payable - other	60,000	90,000
Compensated absences payable	331,924	292,351
Net pension liability	5,574,585	3,973,777
Net other postemployment benefit liability	8,967,386	10,402,614
Total non-current liabilities	43,643,907	45,388,242
Total liabilities	47,843,617	48,993,535
DEFERRED INFLOW OF RESOURCES		
Deferred inflows related to pensions	911,161	2,564,716
Deferred inflows related to other postemployment benefits	5,908,936	4,996,124
Deferred inflows related to lease receivable	997,309	-
Gain on loan refundings, net of accumulated amortization	250,000	297,000
Total deferred inflow of resources	8,067,406	7,857,840
NET POSITION		
Net investment in capital assets	71,092,863	70,114,434
Restricted and unrestricted net position:		
Restricted for debt service fund	2,234,821	2,247,262
Closure account	50,000	50,000
Unrestricted	(6,611,456)	(7,514,840)
Total net position	66,766,228	64,896,856
Total liabilities, deferred inflow of resources and net position	\$ 122,677,251	\$ 121,748,231

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

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Revenue, Expenses and Changes in Net Position
For the years ended December 31, 2022 and 2021

	2022	2021
Operating revenues:		
Water and sewer charges	\$ 12,748,159	12,357,632
Connection fees	2,401,084	886,337
Antenna lease	371,211	366,105
Miscellaneous	200,908	233,731
Total operating revenues	15,721,362	13,843,805
Operating expenses:		
Cost of providing services	9,485,125	8,998,030
Depreciation	4,860,973	4,495,910
Total operating expenses	14,346,098	13,493,940
Operating (loss)/income	1,375,264	349,865
Non-operating revenues/(expenses):		
Interest income	128,503	104,848
Interest income from leasing arrangements	89,530	-
Capital reimbursement	99,775	-
Interest expense	(566,486)	(451,234)
Insurance reimbursement	23,462	7,029
Gain on sale of assets	645	58,624
Loss on disposal of assets	(6,111)	(56,805)
Trustees' fees	(39,360)	(31,965)
NJIB loan issuance costs	-	(305,075)
NJIB loan issuance costs - waived	-	308,234
Amortization of loan premium	256,816	177,439
Amortization of gain on refunding	47,000	45,000
Debt service reimbursement	415,734	343,346
Total non-operating revenue	449,508	199,441
Net (loss)/income before contributions	1,824,772	549,306
Capital contributions	44,600	2,275,415
Total capital contributions	44,600	2,275,415
Net income	1,869,372	2,824,721
Net position, January 1	64,896,856	62,072,135
Net position, December 31	\$ 66,766,228	\$ 64,896,856

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

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Cash Flows
For the years ended December 31, 2022 and 2021

	2022	2021
Cash flows from operating activities:		
Cash Received from Service Users	\$ 15,512,218	\$ 13,568,489
Cash Paid to Suppliers	(4,603,835)	(4,016,097)
Cash Paid to Employees	(5,198,194)	(5,121,576)
Net cash flows from operating activities	5,710,189	4,430,816
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,869,644)	(2,334,942)
Principal repayment on long term debt	(1,664,739)	(963,680)
Proceeds received from long-term debt	-	19,159,245
Repayment of construction loans	-	(20,773,835)
NJIB loan issuance costs	-	(305,075)
NJIB loan issuance costs - waived	-	308,234
Contributed capital	44,600	2,275,415
Interest expense	(566,486)	(451,234)
Debt service reimbursement	415,734	343,346
Capital reimbursement	99,775	-
Loss on disposal of assets	(22,567)	(35,874)
Net cash flows from capital and related financing activities	(5,563,327)	(2,778,400)
Cash flows from investing activities:		
Interest income	218,033	104,848
Net cash flows from capital and related financing activities	218,033	104,848
Total change in cash and cash equivalents	364,895	1,757,264
Unrestricted and restricted cash and cash equivalents, January 1	10,621,299	8,864,035
Unrestricted and restricted cash and cash equivalents, December 31	\$ 10,986,194	\$ 10,621,299
Reconciliation to statement of net position:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 5,614,120	\$ 7,126,050
Current restricted assets:		
Cash and cash equivalents	5,372,074	3,495,249
Unrestricted and restricted cash, December 31	\$ 10,986,194	\$ 10,621,299

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

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Statements of Cash Flows
For the years ended December 31, 2022 and 2021

	2022	2021
Reconciliation of operating income to cash flows from operating activities:		
Operating income	1,375,264	349,865
Adjustments to reconcile operating income to net cash flows from operating activities:		
Items which did not use cash:		
Depreciation	4,860,973	4,495,910
Unbudgeted pension credit	(623,896)	(1,073,852)
Unbudgeted OPEB expense	(240,805)	(123,801)
Working capital changes which (used)/provided cash:		
Accounts receivable	(159,866)	(275,316)
Inventory	(33,793)	(56,981)
Insurance receivable	(32,665)	8,486
Other assets	885	(814)
Accounts payable	496,589	(307,801)
Accrued expenses	(22,865)	9,511
Pensions payable	72,979	28,730
Unearned revenues	625	8,088
Accrued interest payable	(18,428)	164,505
Developer and customer deposits	44,897	132,789
Compensated absences	39,573	17,301
Lease receivable	(1,046,587)	-
Lease inflow	997,309	-
NJIB loan funds receivable	-	1,054,196
Net cash flows from operating activities	\$ 5,710,189	\$ 4,430,816

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

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

NOTE 1: ORGANIZATION

The Jackson Township Municipal Utilities Authority (hereafter referred to as the “Authority”) was created by Ordinance 1-64 of the Township of Jackson, dated March 3, 1964. The Authority has a service contract with the Township of Jackson dated December 7, 1995, under which the Township has agreed to pay annual charges, if necessary, to supplement the Authority’s income to pay debt service on certain obligations of the Authority.

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 for the disposition and treatment of sewerage for the relief of waters from pollution.

New Jersey statutes provide for the creation, dissolution and operations of separate bodies corporate and politic for the purpose of fostering the provision and distribution of an adequate supply of water and the collection, treatment, disposal and recycling of wastewater and sewerage sludge. The statutes were enacted as the “Municipal and Counties Utilities Authorities Law”, and are codified in New Jersey Statutes Annotated as *N.J.S.A. 40:14B-1* et seq. Additional statutory requirements relating to the financial operations of independent local authorities were established as the “Local Authorities Fiscal Control Law”, which is codified as *N.J.S.A. 40A:5A-1* et seq. The provisions of the Local Authorities Fiscal Control Law established the Local Finance Board and the Division of Local Government Services, in the Department of Community Affairs, State of New Jersey, as oversight agencies for the creation, project financing, budgeting and overall financial condition of local authorities.

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

The Authority is considered to be a “Component Unit” of the Township of Jackson under accounting principles generally accepted in the United States of America (“GAAP”). This determination is based on the oversight responsibility of the Township, which manifests itself primarily in the selection of members of the Authority and on accountability for fiscal matters as evidenced by the Deficiency Advance Contract dated December 7, 1995, which obligates the Township to provide for any deficits of the Authority which will be refunded to the Township through subsequent collection of user fees.

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with GAAP applicable to enterprise funds of state and local governments.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund. Proprietary funds are used to account for operations that are (a) financed and operated in a manner similar to private business enterprise where the intent of the governing body is that the cost (expenses, including depreciation) of providing goods or 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, management control, accountability, or other purposes.

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.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

Net position (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for capital activity; restricted for debt service; 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.

Revenue 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 or utilizing time payments in accordance with Jackson Township Ordinance 23-07 (Water Connections) and 38-01 (Sewer Connections). The Authority bills water and/or sewer service/usage charges upon the installation of a meter in accordance with the Authority’s Rules & Regulations.

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 Authorityers. The budgetary basis of accounting is utilized to determine the Authority has sufficient cash to operate and pay debt service. As such, bond payments are included in the budgetary expenses as well as depreciation which is not required but necessary as good practice to account for the Authority’s Renewal and Replacement initiatives.

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. 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.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

The encumbrance does not represent an expenditure for the period, only a commitment to expend resources. At year-end, the accounting records are adjusted to record only expenses in accordance with generally accepted accounting principles.

Cash, Cash Equivalents and Investments

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

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

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of GUDPA. 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.

Accounts Receivable

The Authority bills its customers quarterly based on actual usage. A portion of the revenue recognized and related accounts receivable is based on estimated usage for the fourth quarter of the year that had been billed but not yet collected. Any difference between estimated revenue and actual revenue is recognized in the first quarterly billing of the following year for actual consumption charges.

Lease Receivable

The Authority's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreements, the Authority may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payments are received.

A deferred inflow of resources is recorded for the leases. The deferred inflow of resources is recorded at the initiation of each lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of each lease.

Inventory

Inventory consists principally of chemicals (for the treatment of sewerage, water and sludge), meters and supplies. All are stated at lower of cost (determined by the average cost method, which approximates the first in, first out method) or market.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Expenses

Prepaid expenses recorded on the financial statements represent payments made to vendors for services that will benefit periods beyond the Authority's fiscal year end.

Capital Assets

Costs of the water and sewer systems incurred to date consist of facilities constructed or acquired, cost of acquisition of land, easements and rights-of-way, costs incidental to such construction or acquisitions, including engineering and inspection fees, costs of equipment, administrative and legal expenses, facilities contributed to the Authority by sub-dividers, the excess of value over cost of acquired facilities as determined by the Authority's consulting engineer, and interest on bonds incurred during the period of construction (less income earned on unexpended construction funds).

Depreciation is calculated utilizing the straight-line method for financial reporting purposes. Depreciation is provided over the following estimated useful lives:

Building, WTP and improvements	10-39 years
Land improvements	10-39 years
Machinery and equipment	5-7 years
Meters	10 years
Wells, pumping stations, water and sewer main extensions	40 years

Statement of Cash Flows

For the purpose of the statement of cash flows, the Authority considers investments with maturities of three months or less to be cash equivalents.

Use of Estimates

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

Compensated Absences

Compensated absences are those absences for which employees will be paid, such as vacation, sick leave and sabbatical leave. A liability for compensated absences that are attributable to services already rendered, and that are not contingent on a specific event that is outside the control of the Authority and its employees, is accrued as the employees earn the rights to the benefits. Compensated absences that relate to future services, or that are contingent on a specific event that is outside the control of the Authority and its employees, are accounted for in the period in which such services are rendered or in which such events take place.

Unearned Revenue

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

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating and Non-Operating Revenues and Expenses

Operating revenues and expenses consist of those revenues and expenses that result from the ongoing principal operations of the Authority. Operating revenues consist primarily of charges for services. Non-operating revenues and expenses consist of those revenues and expenses that are related to financing and investing activities or result from non-exchange transactions or ancillary activities.

When an expense is incurred for purposes for which there are both restricted and unrestricted net assets available, it is the Authority's policy to apply those expenses to restricted net assets to the extent such are available and then to unrestricted net assets.

Pension & Other Post-employment Benefits Section

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

Net Position

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

Net Investment in Capital Assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

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

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

Deferred Inflows/Outflows of Resources

In addition to assets, the statement 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.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred Inflows/Outflows of Resources (continued)

In addition to liabilities, the statement 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 and so will not be recognized as an inflow of resources (revenue) until that time.

Income Taxes

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

Recently Adopted Accounting Pronouncements

In the current year, the Authority adopted GASB Statement No. 87: *Leases*, which requires the Authority to recognize most leases on the statement of net position. Adoption of this statement resulted in the recognition of lease receivable of \$1,046,587 and deferred inflows of resources of \$997,309. These amounts were determined based on the present value of remaining minimum rent payments expected to be received, at a discounted rate (7.50%) as of the date of adoption. There was no material impact to the timing of expense or income recognition in the statement of revenue, expenses and changes in net position. Prior periods were not restated and continue to be presented under legacy GAAP. Disclosures regarding the Authority's leasing activities are presented in Note 15: *Lease Receivable* for more information.

New Accounting Pronouncements Not Yet Adopted

In May 2020, GASB issued GASB Statement No. 96: *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. This statement is effective for periods beginning after June 15, 2022. Earlier application is permitted.

The Authority is currently evaluating the effect that these pronouncements will have on its financial statements and related disclosures.

Subsequent Events

The Authority has evaluated subsequent events occurring after December 31, 2022 through December 5, 2023, which is the date the financial statements were available to be issued.

NOTE 3: SIGNIFICANT TRUST AGREEMENT AND BOND RESOLUTION REQUIREMENTS

Required Cash and Investment Accounts

In accordance with the Authority's Bond Resolutions, the Authority has established the following cash and investment accounts for the deposit, in priority of order listed, of all revenue received by the Authority from operations or other sources. Cash and investment accounts on the balance sheets have been classified accordingly.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 3: SIGNIFICANT TRUST AGREEMENT AND BOND RESOLUTION REQUIREMENTS
(continued)

Required Cash and Investment Accounts (continued)

Unrestricted Assets:

Operating Fund

Amount – Transfers from Revenue Fund in the amount necessary to meet operating expenses.

Use – Payment of operating expenses.

Restricted:

Debt Service

Amount – The Debt Service Fund is to be an amount equal to the debt service requirements for the following fiscal year not covered by the amount in the Bond Reserve Fund. This includes subordinated indebtedness and NJEIT loans payable.

Use - Payment for future principal and interest on bonds and loans payable.

Bond Reserve

Amount – The Bond Reserve Fund is to be an amount equal to Bond Reserve Requirements. The Bond Reserve Requirement as of any particular date of calculation is equal to the lesser of 10% of the aggregate principal amount of the Bonds upon original issuance or the amount equal to the maximum annual debt service on the bonds.

Use – As further security for payment of the bonds.

Construction Fund

Amount – Any proceeds derived from the issuance of any bonds and of the proceeds of any condemnation award and which are to be applied by the Authority for the acquisition of construction of any portion of the system and any other monies.

Use – Payment for cost of the system.

Closure Account

Amount – The principle balance of \$300,000 was reduced by \$250,000 in 2018. Balance of \$50,000 is maintained. The balance of \$50,000 will be returned to Six Flags Theme Park, Inc. (“Great Adventure”) in accordance with the Authority’s Water Service Agreement dated October 24, 2014 (and amended February 28, 2018) and Sewer Service Agreement dated November 20, 2018 with Great Adventure.

Use – a.) Paying costs and expenses which may hereafter be incurred due to any closure of Great Adventure Facilities. b.) Paying costs and expenses related to Great Adventure facilities repair and/or replacement in advance of receipt of payment therefore by Great Adventure.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 3: SIGNIFICANT TRUST AGREEMENT AND BOND RESOLUTION REQUIREMENTS
(continued)

Required Cash and Investment Accounts (continued)

Revenue Fund

Amount – Required by the Trustee to have the amount estimated to be necessary for operating expenses as set forth in a certificate of Authority Officer or an amount which is consistent with the Annual Budget for the succeeding three-month period commencing on such withdrawal date.

Use – Fund operations in the event of a revenue shortfall; transfers to various accounts.

Capital Reserves

Amount – Amount needed to fund future capital projects.

Use – Payment for the cost of future capital projects.

Trust Agreement Requirements

In accordance with the Trust Agreement, the Authority should require the following:

- That the security (market value basis) be provided by depositories for all funds held by them. At the balance sheet dates, federal insurance and the par value of securities pledged were in excess of the deposits at all depositories used by the Authority with the exception of unremitted payroll withholdings.
- That all invested monies be pre-invested in direct obligation of the United States Government. All investments made by the depositories during the year were in accordance with this provision.
- That while any of the bonds or interest remain outstanding, the Authority covenants that it will at all times keep insured such parts of the system against:
 - Physical loss or damage, however caused, with such exceptions as are ordinarily required, in the amount recommended by the Consulting Engineer and,
 - Against such risks as the Consulting Engineer may recommend and as are customarily insured by other operating facilities of a similar type.
- That any profit realized from or interest accruing on investments shall belong to the account from which the monies for such investments were taken other than noted in the required cash and investment accounts above.

NOTE 4: CASH AND CASH EQUIVALENTS

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2022 and 2021, and reported at fair value are shown below.

	<u>2022</u>	<u>2021</u>
Deposits:		
Demand deposits	<u>\$10,986,194</u>	<u>\$10,621,299</u>
Total deposits	<u>\$10,986,194</u>	<u>\$10,621,299</u>

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 4: CASH AND CASH EQUIVALENTS

Reconciliation to Statements of Net Position:

Current unrestricted assets:		
Cash and cash equivalents	\$ 5,614,120	\$ 7,126,050
Current restricted assets:		
Cash and cash equivalents	<u>5,375,074</u>	<u>3,495,249</u>
Total deposits	<u>\$10,986,194</u>	<u>\$10,621,299</u>

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 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, 2022 and 2021, the Authority's bank balances were insured or exposed to credit risk as follows:

	<u>2022</u>	<u>2021</u>
Insured by FDIC	\$ 760,014	\$ 1,000,000
Collateralized in the Authority's name under GUDPA	<u>10,251,992</u>	<u>9,629,653</u>
Total	<u>\$ 11,012,006</u>	<u>\$ 10,629,653</u>

NOTE 5: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Accounts receivable – billed	\$ 2,340,859	\$ 2,369,363
Accounts receivable – unbilled	1,903,245	1,706,957
Accounts receivable – Six Flags Great Adventure	-	60,065
Accounts receivable – other	<u>293,035</u>	<u>240,888</u>
Total	<u>\$ 4,537,139</u>	<u>\$ 4,377,273</u>

The Authority believes that all receivables are collectible and has not established an allowance for doubtful accounts.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 6: CAPITAL ASSETS

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

	Balance December 31, <u>2021</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2022</u>
Capital assets				
Capital assets not being depreciated:				
Land	\$ 2,481,858	\$ -	\$ -	\$ 2,481,858
Construction in progress	<u>4,281,072</u>	<u>3,881,013</u>	<u>(2,551,895)</u>	<u>5,610,190</u>
Total capital assets not being depreciated	<u>6,762,930</u>	<u>3,881,013</u>	<u>(2,551,895)</u>	<u>8,092,048</u>
Capital assets being depreciated:				
Wells, pumping stations, water and sewer main extension	117,512,962	1,163,874	-	118,676,836
Land improvements	2,565,018	88,977	-	2,653,995
Machinery and equipment	10,636,317	992,963	(29,646)	11,599,634
Building, water treatment plant, and improvements	18,515,750	-	-	18,515,750
Meters	<u>4,463,487</u>	<u>294,713</u>	<u>-</u>	<u>4,758,200</u>
Total capital assets being depreciated	<u>153,693,534</u>	<u>2,540,527</u>	<u>(29,646)</u>	<u>156,204,415</u>
Less: accumulated depreciation	<u>(57,396,664)</u>	<u>(4,860,973)</u>	<u>23,535</u>	<u>(62,234,102)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>96,296,870</u>	<u>(2,320,446)</u>	<u>(6,111)</u>	<u>93,970,313</u>
Total capital assets, net	<u>\$ 103,059,800</u>	<u>\$ 1,560,567</u>	<u>\$ (2,558,006)</u>	<u>\$ 102,062,361</u>

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 6: CAPITAL ASSETS (continued)

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

	Balance December 31, <u>2020</u>	<u>Additions</u>	<u>Retirements</u>	Balance December 31, <u>2021</u>
Capital assets				
Capital assets not being depreciated:				
Land	\$ 2,677,642	\$ -	\$ (195,784)	\$ 2,481,858
Construction in progress	<u>17,043,922</u>	<u>2,983,405</u>	<u>(15,746,255)</u>	<u>4,281,072</u>
Total capital assets not being depreciated	<u>19,721,564</u>	<u>2,983,404</u>	<u>(15,942,038)</u>	<u>6,762,930</u>
Capital assets being depreciated:				
Wells, pumping stations, water and sewer main extension	109,918,853	7,609,838	(15,729)	117,512,962
Land improvements	1,423,345	1,141,673	-	2,565,018
Machinery and equipment	6,689,509	4,117,191	(170,383)	10,636,317
Building, water treatment plant, and improvements	16,199,443	4,684,804	(2,368,497)	18,515,750
Meters	<u>4,364,691</u>	<u>249,012</u>	<u>(150,216)</u>	<u>4,463,487</u>
Total capital assets being depreciated	<u>138,595,841</u>	<u>17,802,518</u>	<u>(2,704,825)</u>	<u>153,693,534</u>
Less: accumulated depreciation	<u>(55,548,774)</u>	<u>(4,495,910)</u>	<u>2,648,020</u>	<u>(57,396,664)</u>
Total capital assets being depreciated, net of accumulated depreciation	<u>83,047,067</u>	<u>13,306,608</u>	<u>(56,805)</u>	<u>96,296,870</u>
Total capital assets, net	<u>\$ 102,768,631</u>	<u>\$ 16,290,013</u>	<u>\$ (15,998,844)</u>	<u>\$ 103,059,800</u>

NOTE 7: LIABILITIES

During the years ended December 31, 2022 and 2021, the following changes occurred in long-term obligations:

	Balance December 31, 2021	Accrued/ increases	Retired/ decreases	Balance December 31, 2022	Due Within One Year
Loans payable - NJIB, net					
Loans payable - NJIB	\$ 30,570,104	\$ -	\$ 1,634,739	\$ 28,935,365	\$ 1,672,909
Premium on loans payable - NJIB	1,958,262	-	264,129	1,694,133	246,577
Loans payable - NJIB, net	<u>32,528,366</u>	<u>-</u>	<u>1,898,868</u>	<u>30,629,498</u>	<u>1,919,486</u>
Loan payable - other	120,000	-	30,000	90,000	30,000
Compensated absences	292,351	39,573	-	331,924	-
Net pension liability	3,973,777	1,600,808	-	5,574,585	-
Net OPEB liability	<u>10,402,614</u>	<u>-</u>	<u>1,435,228</u>	<u>8,967,386</u>	<u>-</u>
Total	<u>\$ 47,317,108</u>	<u>\$ 1,640,381</u>	<u>\$ 3,364,096</u>	<u>\$ 45,593,393</u>	<u>\$ 1,949,486</u>

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 7: LIABILITIES (continued)

	<u>Balance</u> <u>December 31, 2020</u>	<u>Accrued/</u> <u>increases</u>	<u>Retired/</u> <u>decreases</u>	<u>Balance</u> <u>December 31, 2021</u>	<u>Due Within</u> <u>One Year</u>
Loans payable - NJIB					
Loans payable - NJIB	\$ 12,344,537	\$ 19,159,247	\$ 933,680	\$ 30,570,104	\$ 1,634,737
Premium on loans payable - NJIB	-	2,025,650	67,388	1,958,262	264,129
Loans payable - NJIB, net	12,344,537	21,184,897	1,001,068	32,528,366	1,898,866
Loan payable - other	150,000	-	30,000	120,000	30,000
Compensated absences	275,050	17,301	-	292,351	-
Net pension liability	5,427,718	-	1,453,941	3,973,777	-
Net OPEB liability	10,506,127	-	103,513	10,402,614	-
Construction loans - NJIB	20,773,835	-	20,773,835	-	-
Total	<u>\$ 49,477,267</u>	<u>\$ 21,202,198</u>	<u>\$ 23,362,357</u>	<u>\$ 47,317,108</u>	<u>\$ 1,928,866</u>

Net Pension Liability

For details on the net pension liability, see the Pension Obligations in Note 9. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Net OPEB Liability

For details on the net other postemployment benefit liability, see the Post-Employment Benefits Other Than Pension Benefits Obligation in Note 10.

Loans Payable - NJIB

Loans payable - NJIB at December 31, 2022 and 2021 consist of the following:

	<u>2022</u>	<u>2021</u>
2007 New Jersey Environmental Trust Fund loan of \$5,901,000 (Fund Loan) maturity dates semiannually beginning August 1, 2008 and ending August 1, 2027, no interest payable.	1,577,357	1,892,824
2007 New Jersey Infrastructure Bank (2015A-R1 NJEIT Refunding Bonds) of \$3,646,000 (Trust Loan), net interest cost of 2.32%, maturity dates annually beginning August 2017 and ending August 2027. Interest paid semiannually on February 1 and August 1, on the Trust loan.	1,900,000	2,228,000
2013 (CW) New Jersey Environmental Infrastructure Bank loan, maturity Trust loan of \$142,099 (Trust loan) and \$409,901 (Fund loan) varying interest rates of 0.25% to 3.32% on the semiannually beginning August 1, 2013 and ending August 1, 2032. Interest paid semiannually on February 1 and August 1, on the Trust loan and no interest payable on the Fund loan.	290,077	317,984
2013 (DW) New Jersey Infrastructure Bank loan of \$202,851 (Trust loan) and \$585,149 (Fund loan), varying interest rates of 0.25% to 3.32% on the Trust loan, maturity dates semi-annually beginning August 1, 2013 and ending August 1, 2032. Interest paid semiannually on February 1 and August 1, on the Trust loan and no interest payable on the Fund loan.	414,095	453,932

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 7: LIABILITIES (continued)

Loans Payable - NJIB

2020 A-1 New Jersey Infrastructure Bank loan of \$1,695,000 (Trust loan) and \$5,181,802 (Fund loan), varying interest rates of 2.125% to 5.00% on the Trust loan, maturity dates semi-annually beginning August 1, 2020 and Ending August 1, 2049. Interest paid semi-annually on February 1 and August 1, on the Trust loan and no interest payable on the Fund loan. 6,341,022 6,550,690

2021 A-1 New Jersey Infrastructure Bank loan of \$18,100,000 (Trust loan) and \$1,059,245 (Fund loan), varying interest rates of 2.125% to 5.00% on the Trust loan, maturity dates semi-annually beginning August 1, 2021 and Ending August 1, 2050. Interest paid semi-annually on February 1 and August 1, on the Trust loan and no interest payable on the Fund loan. 18,412,815 19,126,672

Subtotal	<u>28,935,365</u>	<u>30,570,102</u>
Less: current portion	<u>(1,672,909)</u>	<u>(1,634,737)</u>
Loans payable – long-term portion	<u>\$ 27,262,456</u>	<u>\$ 28,935,365</u>

Loans Payable

Schedule of annual debt service for principal and interest for bonds and loans payable, over the next five years and thereafter are as follows:

For the Year Ended

<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 1,672,909	\$ 540,911	\$ 2,213,820
2024	1,703,159	495,739	2,198,898
2025	1,748,597	442,190	2,190,787
2026	1,786,253	387,282	2,173,535
2027	1,844,016	331,072	2,175,088
2028 – 2032	5,956,849	1,024,830	6,981,679
2033 – 2037	6,032,628	497,508	6,530,136
2038 – 2042	4,709,586	213,221	4,922,807
2043 – 2047	2,307,522	102,265	2,409,787
2048 – 2050	<u>1,173,846</u>	<u>16,763</u>	<u>1,190,609</u>
Total	<u>\$ 28,935,365</u>	<u>\$ 4,051,781</u>	<u>\$ 32,897,146</u>

Loan Payable – other

The Authority has an agreement with Six Flags Great Adventure under which the Authority must reimburse Six Flags Great Adventure for depreciation charged to them in previous years. The original principal sum of the debt was \$1,600,000. As of December 31, 2022 and 2021, the balance due is \$90,000 and \$120,000, respectively, which will be paid in annual installments of \$30,000 due August 1 of each year. The loan bears interest at the rate established by the State of New Jersey Board of Regulatory Authority for customers' deposits less 0.25%*.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 7: LIABILITIES (continued)

Loan Payable – other (continued)

The balance of the loan payable - other at December 31, 2022 and 2021 was:

	<u>2022</u>	<u>2021</u>
Current Portion:		
Loan payable – other	\$ 30,000	\$ 30,000
Total current portion	30,000	30,000
Long-term portion:		
Loan payable – other	60,000	90,000
Total long-term portion	60,000	90,000
Total	\$ 90,000	\$ 120,000

Schedule of annual debt service for principal and interest for Six Flags Great Adventure, over the next five years and thereafter are as follows:

For the year ended	Principal	Interest	Total
<u>December 31,</u>			
2023	\$ 30,000	\$ -	\$ 30,000
2024	30,000	-	30,000
2025	30,000	-	30,000
Total	\$ 90,000	\$ -	\$ 90,000

**As of December 31, 2022 and 2021, the customer deposit rate established by the State of New Jersey Board of Regulatory Authority is less than .25%, therefore future minimum interest rate calculated to be 0%.*

Refunding of 2007 New Jersey Infrastructure Trust Loan

On November 10, 2015, the Authority issued Series 2015A-R1 NJIB Refunding Bonds in the amount of \$3,646,000. The proceeds of this issuance were utilized to refund the 2007 NJIB trust loan outstanding. The Refunding Bonds issued resulted in a net gain on refunding of \$524,000 in the year ended December 31, 2015. The refunding is expected to produce a new savings of approximately \$593,373 over the life of the new bond series. The entire amount of \$524,000 was recorded as a deferred inflow and as of December 31, 2022 and 2021, deferred inflows totaled \$250,000 and \$297,000, respectively.

2021 New Jersey Infrastructure Trust Loan

On June 10, 2021, the Authority issued the 2021 A-1 New Jersey Infrastructure Bank loan in the amount of \$18,100,000. The proceeds of this issuance totaled \$ 20,433,884 inclusive of a \$2,025,650 premium to be amortized over the life of the loan and \$308,234 of loan issuance costs that were waived at the time of issuance. The entire \$2,025,650 balance was recorded as a loan premium in 2021. As of December 31, 2022 and 2021, the unamortized loan premium balance totaled \$1,694,133 and \$1,958,262, respectively.

NOTE 8: OCUA CREDIT/DEFICIENCY

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 the 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

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
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Notes to Financial Statements (continued)

NOTE 8: OCUA CREDIT/DEFICIENCY (continued)

this number to the estimated flows. Credits are recorded as revenue when received and deficiencies are recorded as expenses when billed. Due to unresolved OCUA sewer metering/billing issues, the 2019 Deficiency Notification remains held in abeyance. As of December 31, 2022 and 2021, the Authority has recorded a credit in the amount of \$81,681 and \$89,379, respectively.

NOTE 9: 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.state.nj.us/treasury/pensions/annual-reports.shtml>.

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

The following represents the membership tiers for PERS:

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

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

Basis of Presentation

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

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (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 2022, the State's pension contribution was less 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. 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, 2022, the Authority's contractually required contribution to PERS plan was \$465,817.

Components of Net Pension Liability

At December 31, 2022, the Authority's proportionate share of the PERS net pension liability was \$5,574,585. The net pension liability was measured as of June 30, 2022. 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, 2021, which was rolled forward to June 30, 2022. 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, 2021. The Authority's proportion measured as of June 30, 2022, was 0.03694% which was an increase of 0.00339% from its proportion measured as of June 30, 2021.

Balances at December 31, 2022 and December 31, 2021

	<u>12/31/2022</u>	<u>12/30/2021</u>
Actuarial valuation date (including roll forward)	June 30, 2022	June 30, 2021
Deferred Outflows of Resources	\$ 1,047,486	\$ 476,337
Deferred Inflows of Resources	911,161	2,564,716
Net Pension Liability	5,574,585	3,973,777
Authority's portion of the Plan's total Net Pension Liability	0.03694%	0.03354%

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

At December 31, 2022, the Authority's proportionate share of the PERS (credit) expense, calculated by the plan as of the June 30, 2022 measurement date is \$(158,078). At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

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

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 40,235	\$ 35,481
Changes of Assumptions	17,272	834,736
Net Difference between Projected and Actual Earnings on Pension Plan Investments	230,727	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	759,252	40,944
	\$ 1,047,486	\$ 911,161

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

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between expected and actual experience		
Year of pension plan deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	5.21	-
June 30, 2020	5.16	-
June 30, 2021	-	5.13
June 30, 2022	-	5.04
Changes in assumptions		
Year of pension plan deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

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

June 30, 2020	-	5.16
June 30, 2021	5.13	-
June 30, 2022	-	5.04

Net difference between projected and actual earnings on pension plan investments

Year of pension plan deferral:

June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	-	5.00
June 30, 2019	5.00	-
June 30, 2020	5.00	-
June 30, 2021	-	5.00
June 30, 2022	5.00	-

Changes in proportion and differences between The Authority's contributions and proportionate share of contributions

Year of Pension Plan Deferral:

June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16
June 30, 2021	5.13	5.13
June 30, 2022	5.04	5.04

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:

Fiscal Year(s) Ending	Amount
December 31,	
2023	\$ (334,520)
2024	(99,956)
2025	24,854
2026	402,855
2027	<u>143,092</u>
Total	<u>\$ 136,325</u>

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

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 with 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.

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

Long-Term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

Long-Term Expected Rate of Return (continued)

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, 2022 are summarized in the following table:

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

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate

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

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
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Notes to Financial Statements (continued)

NOTE 9: PENSION OBLIGATIONS (continued)

Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate (continued)

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 7,222,361</u>	<u>\$ 5,574,585</u>	<u>\$ 4,259,651</u>

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

The State Health Benefit Local Government Retired Employees Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. For additional information about the Plan, please refer to the State of New Jersey (the State), Division of Pensions and Benefits' (the Division) annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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

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

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
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Notes to Financial Statements (continued)

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

General Information about the OPEB Plan (continued)

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

Basis of Presentation

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense (benefit). The special funding situation’s and nonspecial funding situation’s net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2022 were \$3,361,552,823 and \$12,729,372,321, 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, 2021 through June 30, 2022. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

Net OPEB Liability

The components of the collective net OPEB liability of the plan as of June 30, 2022 is as follows:

Total OPEB Liability	\$ 16,090,925,114
Plan’s fiduciary net position	<u>(58,670,334)</u>
Net OPEB Liability	<u>\$ 16,149,595,478</u>

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Net OPEB Liability (continued)

The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:

Salary Increases*:

Public Employees' Retirement System (PERS):

Rate for all future periods 2.75% to 6.55%

Police and Firemen's Retirement System (PFRS):

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

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

OPEB Obligation and OPEB (Benefit) Expense

The Authority's proportionate share of the total Other Post-Employment Benefits Obligations was \$10,402,614. The OPEB Obligation was measured as of June 30, 2022, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. 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 0.05553%, which was a decrease of 0.00227% from its proportion measured as of June 30, 2021.

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Obligation and OPEB (Benefit) Expense (continued)

For the fiscal year ended June 30, 2022, the State of New Jersey recognized an OPEB (benefit) expense in the amount of \$(7,647) 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, 2022 measurement date.

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend rate is initially 6.25% and decreases to a 4.5% long-term trend rate after seven years. For post-65 medical benefits, the trend rate is initially (1.89%) for PPO plans and (1.99%) for HMO plans with both increasing to a 4.5% long-term trend rate after seven years. For prescription drug benefits, the initial trend rate is 8% decreasing to a 4.5% long-term trend rate after seven years.

Discount Rate

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

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

The following presents the net OPEB liability as of June 30, 2022, calculated using the healthcare trend rate as disclosed above as well as what the net OPEB liability would be if it was calculated using a healthcare trend rate that is 1-percentage point lower or 1-percentage point higher than the current rate:

	1% Decrease	Healthcare Cost Trend Rate	1% increase
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with the Authority	\$ 7,607,303	\$ 8,967,386	\$ 10,709,269
State of New Jersey's Total Nonemployer OPEB Liability	\$ 13,700,188,049	\$ 16,149,595,478	\$ 19,286,596,671

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Obligation and OPEB (Benefit) Expense (continued)

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, 2022, 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:

	<u>At 1% Decrease</u> <u>(2.54%)</u>	<u>At Discount Rate</u> <u>(3.54%)</u>	<u>At Discount Rate</u> <u>(4.54%)</u>
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with the Authority	\$ 10,395,005	\$ 8,967,386	\$ 7,818,732
State of New Jersey's Total Nonemployer OPEB Liability	\$ 18,720,632,230	\$ 16,149,595,478	\$ 14,080,955,857

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, 2022:

Balances at December 31, 2022 and December 31, 2021

	<u>12/31/2022</u>	<u>12/31/2021</u>
Actuarial valuation date (including roll forward)	June 30, 2022	June 30, 2021
Deferred Outflows of Resources	\$ 2,645,541	\$ 2,927,152
Deferred Inflows of Resources	5,908,936	4,996,124
Net OPEB Liability	8,967,386	10,402,614
Authority's portion of the Plan's total net OPEB Liability	0.05553%	0.05779%

OPEB Deferred Outflows/Inflows of Resources

At December 31, 2022, the Authority's proportionate share of the OPEB outflows and inflows, calculated by the plan as of the June 30, 2022 measurement date is \$2,645,541 and \$5,908,936, respectively. At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Deferred Outflows/Inflows of Resources (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 463,085	\$ 1,662,172
Changes of Assumptions	1,196,735	3,060,396
Net Difference between Projected and Actual Earnings on Pension	2,361	-
Changes in Proportion	983,360	1,186,368
	\$ 2,645,541	\$ 5,908,936

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 <u>Dec 31,</u>	
2023	\$ (841,572)
2024	(842,290)
2025	(671,243)
2026	(315,830)
2027	(93,307)
2028 - 2029	(499,153)
	\$ (3,263,395)

Changes in Proportion

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

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 10: OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Membership

At July 1, 2021, the Program membership consisted of the following:

Active Plan Members	65,360
Retirees Currently Receiving Benefits	<u>33,684</u>
 Total Plan Members	 <u>99,044</u>

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 costs	\$ 796,654,029
Interest on the total OPEB Liability	401,372,615
Change of benefit terms	402,474,416
Differences between expected and actual experience	572,046,963
Changes of assumptions	(3,599,550,175)
Contributions from the employer	(389,490,003)
Contributions from nonemployer contributing entities	(45,792,081)
Net investment income	(235,962)
Administrative expenses	<u>12,334,441</u>
Net change in total OPEB Liability	(1,850,185,757)
Total OPEB Liability (beginning)	<u>17,999,781,235</u>
Total OPEB Liability (ending)	<u>\$ 16,149,595,478</u>

NOTE 11: DEFERRED COMPENSATION PROGRAM

The Authority offers its employees a Deferred Compensation Plan (“Plan”) created in accordance with Internal Revenue Code Section 457. The Plan, available to all Authority employees, permits them to defer a portion of their salary until future years. The Authority does not make contributions to the Plan for the benefit of its employees.

During December 1998, the Authority, in accordance with Internal Revenue Code 457, amended the Deferred Compensation Plan to establish an exclusive benefit trust whereby all Plan investments are held for the exclusive benefit of the Plan’s participants and beneficiaries and are not subject to the claims of the Authority’s general creditors. As such, the Deferred Compensation Plan amounts as of December 31, 2022 and 2021 are not reflected on the Authority’s statements of net position.

NOTE 12: COMPENSATED ABSENCES

Authority employees are entitled to sick leave. Employees hired after December 12, 1993 are eligible to receive payment for 80% of all accumulated sick days upon retirement up to a maximum of \$15,000. Amounts are calculated on the employee’s average earnings for the last three years excluding overtime pay, and all other supplemental compensation. Vacation days not used during the year by Authority employees may not be carried forward for more than two calendar years. The liability for vested compensated absences is recorded as a non-current liability in the accompanying financial statements. The current portion of the compensated absence balance is not considered material and is therefore not

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 12: COMPENSATED ABSENCES (continued)

shown separately from the long-term liability balance of compensated absences. As of December 31, 2022 and 2021, accumulated compensated absences amount to \$331,924 and \$292,351, respectively and are reported as non-current liabilities on the statements of net position.

NOTE 13: CREDITED CONNECTION FEES

The Authority has entered into agreements with various developers which entitles them to a credit for water and sewer connection fees. In exchange for the credited connection fees, the developers have agreed to design, construct and install various infrastructures with no cash outlay by the Authority. The developers are granted the connection fee credits based on the percentage of completion method. During the years ending December 31, 2022 and 2021, these non-cash connection fees which are recognized as revenues amounted to \$800,630 and \$507,009, respectively. The corresponding assets are recorded in construction in progress until they are received.

NOTE 14: CONTRIBUTED CAPITAL

In 2022 and 2021, various property owners constructed and donated water and sewer mains to the Authority. The total value of the dedicated water and sewer mains for the years ended December 31, 2022 and 2021 was \$-0- and \$2,275,415, respectively. Ownership was assumed, recorded and acceptance of the maintenance bond was authorized at the completion of each project.

All of these donated properties were treated as non-operating revenue in the statement of revenues, expenses and changes in net position and capitalized on the Authority's statement of net position for the years ended December 31, 2022 and 2021.

NOTE 15: LEASE RECEIVABLE

The Authority has entered into eleven agreements to lease the Authority's infrastructure for the operation and maintenance of communication equipment. These lease agreements qualify as other than short-term leases under GASB Statement No. 87: Leases and, therefore, have been recorded at the present value of the future minimum rent payments expected to be received as the date of its inception. The terms of these agreements are five years, each with five year renewal options. The annual required payments to be received range from \$12,480 to \$81,595. The lease receivable is measured at a discount rate of 7.50%. As a result, this lease, the Authority has recorded a lease receivable of \$1,046,587. The deferred inflows of resources are described in more detail at Note 17: Deferred Inflows of Resources Related to Lease Receivables. The following is a schedule of the remaining future minimum rent payments to be received under these lease obligations at December 31, 2022:

<u>Year-End</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 337,617	\$ 85,634	\$ 423,251
2024	245,756	62,371	308,127
2025	200,709	28,754	229,463
2026	179,194	15,361	194,555
2027	83,311	5,720	89,031
Total	<u>\$ 1,046,587</u>	<u>\$ 197,840</u>	<u>\$ 1,244,427</u>

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A component unit of the Township of Jackson, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)

NOTE 15: LEASE RECEIVABLE (continued)

Deferred Inflows of Resources Related to Lease Receivables

The District has recorded a lease receivable for leases of the Authority's rooftop space for the operation and maintenance of communication equipment. 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, 2022, was \$997,309.

NOTE 16: 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 2017-2022.

NOTE 17: DEFICIT UNRESTRICTED NET POSITION

The Authority had a deficit in unrestricted net position in the amount of \$(6,611,456) and \$(7,514,840) at December 31, 2022 and 2021, respectively. 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 pensions and other postemployment benefits would be \$11,057,585 and \$11,018,902 as of December 31, 2022 and 2021. This deficit in unrestricted net position does not indicate that the Authority is facing financial difficulties.

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

	Measurement Date Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability (asset)	0.03694%	0.03354%	0.03328%	0.03147%	0.03224%	0.03082%	0.03060%	0.02848%	0.03057%	0.02950%
Authority's proportionate share of the net pension liability (asset)	\$ 5,574,585	\$ 3,973,777	\$ 5,427,718	\$ 5,669,742	\$ 6,348,789	\$ 7,176,555	\$ 9,064,242	\$ 6,348,789	\$ 5,724,411	\$ 5,637,973
Authority's covered-employee payroll	\$ 2,690,674	\$ 2,492,631	\$ 2,405,680	\$ 2,153,895	\$ 2,259,915	\$ 2,111,404	\$ 2,073,896	\$ 1,971,536	\$ 2,099,873	\$ 2,022,428
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	207.18%	159.42%	225.62%	263.23%	280.93%	339.89%	437.06%	322.02%	272.61%	278.77%
Plan fiduciary net position as a percentage of the total pension liability	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Authority Contributions
Public Employees' Retirement System
Last Ten Fiscal Years

	Year Ended December 31,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 465,817	\$ 392,838	\$ 364,108	\$ 306,074	\$ 320,729	\$ 285,600	\$ 271,888	\$ 244,861	\$ 252,053	\$ 222,274
Contributions in relation to the contractually required contribution	(465,817)	(392,838)	(364,108)	(306,074)	(320,729)	(285,600)	(271,888)	(244,861)	(252,053)	(222,274)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 2,801,026	\$ 2,690,674	\$ 2,492,631	\$ 2,405,680	\$ 2,153,895	\$ 2,259,915	\$ 2,111,404	\$ 2,073,896	\$ 1,971,536	\$ 2,099,873
Contributions as a percentage of covered-employee payroll	16.63%	14.60%	14.61%	12.72%	14.89%	12.64%	12.88%	11.81%	12.78%	10.59%

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
Schedule of the Authority's Proportionate Share of Net Other Postemployment Benefit Liability
Local Government Retired Employees Plan
Last Seven Fiscal Years *

	Measurement Date Ended June 30,						
	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the other postemployment benefit liability (asset)	0.055530%	0.057790%	0.058541%	0.051864%	0.055039%	0.054329%	0.058985%
Authority's proportionate share of the net other postemployment benefit liability (asset)	\$ 8,967,386	\$ 10,402,614	\$ 10,506,127	\$ 7,025,534	\$ 8,622,750	\$ 11,091,694	\$ 12,810,046
Authority's covered-employee payroll	\$ 2,690,674	\$ 2,492,631	\$ 2,405,680	\$ 2,153,895	\$ 2,259,915	\$ 2,111,404	\$ 2,073,896
Authority's proportionate share of the net other postemployment benefit liability (asset) as a percentage of its covered-employee payroll	333.28%	417.33%	436.72%	326.18%	381.55%	525.32%	617.68%
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	-0.36%	0.28%	0.91%	1.98%	1.97%	1.03%	0.69%

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

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

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

The June 30, 2022 measurement date includes three changes in plan provisions, one of which had an impact on the State's total net pension liability. Chapter 226, P.L. 2021 reopened the Prosecutors Part of PERS and made membership in the Prosecutors Part of PERS mandatory for all prosecutors.

Changes of Assumptions

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

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2022	7.00%	2019	6.28%	2016	3.98%
2021	7.00%	2018	5.66%	2015	4.90%
2020	7.00%	2017	5.00%	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>	<u>Year</u>	<u>Rate</u>
2022	7.00%	2019	7.00%	2016	7.65%
2021	7.00%	2018	7.00%	2015	7.90%
2020	7.00%	2017	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, 2021, to June 30, 2022 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, 2021 to June 30, 2022 was a result of an updated to census information, and premiums and claims experience.

Changes of Assumptions

The increase in changes in assumptions from June 30, 2021 to June 30, 2022 is a result of a change in the discount rate, trend update, and an experience study update.

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

Other Post-Employment Benefits (OPEB) (continued)

Changes of Assumptions (continued)

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

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

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
 (A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
 Schedule of Operating Revenues and Costs Funded by
 Operating Revenues (Budget vs. Actual)
 For the years ended December 31, 2022 and 2021

	2022						2021					
	Original Water Budget	Original Sewer Budget	Original Total Budget	Final Budget Total	Actual	Variance/ Favorable/ (Unfavorable)	Original Water Budget	Original Sewer Budget	Original Total Budget	Final Budget Total	Actual	Variance/ Favorable/ (Unfavorable)
Revenues:												
Water and sewer charges	\$ 7,368,518	\$ 5,802,866	\$ 13,171,384	\$ 13,171,384	\$ 12,748,159	\$ (423,225)	\$ 7,189,010	\$ 5,729,937	\$ 12,918,947	\$ 12,918,947	\$ 12,357,632	\$ (561,315)
Connection fees	1,122,000	498,250	1,620,250	1,620,250	2,401,084	780,834	885,546	395,370	1,280,916	1,280,916	886,337	(394,579)
Antenna lease	220,728	220,728	441,456	441,456	411,463	(29,993)	184,078	184,078	368,156	368,156	366,105	(2,051)
Miscellaneous	195,240	80,290	275,530	275,530	201,553	(73,977)	151,300	63,000	214,300	214,300	292,355	78,055
Total operating revenues	8,906,486	6,602,134	15,508,620	15,508,620	15,762,259	253,639	8,409,934	6,372,385	14,782,319	14,782,319	13,902,429	(879,890)
Cost of Providing Services:												
Operation Control:												
Ads and notices	4,000	1,500	5,500	10,556	10,419	137	6,000	1,500	7,500	3,885	3,619	266
Bank and other fees	15,000	6,200	21,200	32,183	32,183	-	13,500	5,600	19,100	28,943	28,942	1
Chemicals	162,500	25,000	187,500	187,000	266,865	(79,865)	164,000	25,000	189,000	184,144	184,144	-
Communications costs	107,613	46,119	153,732	155,673	154,596	1,077	107,100	45,900	153,000	140,453	140,453	-
Community relations	4,000	1,000	5,000	4,439	4,282	157	5,000	1,500	6,500	5,947	5,897	50
Dues/subscriptions/membership	7,000	4,000	11,000	10,229	10,073	156	7,000	4,000	11,000	10,842	9,945	897
Education and training	12,000	6,000	18,000	9,621	9,610	11	15,000	7,000	22,000	11,149	6,566	4,583
Employee benefits	1,118,109	479,190	1,597,299	1,604,479	1,604,473	6	1,104,278	475,775	1,580,053	1,557,127	1,557,127	-
Pension expense	150,000	64,820	214,820	107,900	72,979	34,921	232,685	99,722	332,407	332,407	332,407	-
Equipment rental	1,000	200	1,200	202	150	52	1,000	100	1,100	1,300	1,300	-
Equipment and tools	5,250	2,250	7,500	7,500	10,015	(2,515)	-	-	-	-	-	-
Insurance	125,000	53,000	178,000	201,546	201,546	-	116,000	50,000	166,000	171,852	171,852	-
Laboratory services	45,000	1,220	46,220	37,584	37,584	-	45,000	1,220	46,220	44,050	42,830	1,220
License permits	28,120	6,282	34,402	27,072	25,718	1,354	25,235	4,300	29,535	28,441	23,430	5,011
Meter testing	3,000	-	3,000	2,495	2,491	4	3,000	-	3,000	3,331	3,331	-
NJA Sewer fees	-	16,000	16,000	16,000	10,307	5,693	-	16,000	16,000	5,793	5,794	(1)
OCUA Regional Sewer fee	-	3,030,665	3,030,665	2,920,791	2,901,912	18,879	-	3,030,665	3,030,665	2,960,672	2,897,380	63,292
Toms River Sewer fees	-	38,000	38,000	48,520	48,519	1	-	35,000	35,000	40,245	40,245	-
Outside services	68,987	26,660	95,647	66,571	65,533	1,038	71,934	28,126	100,060	106,899	106,233	666
Penalty and fines	100	50	150	50	-	50	200	100	300	100	-	100
Personal safety equipment	16,863	9,205	26,068	29,960	29,960	-	17,000	6,000	23,000	20,265	20,266	(1)
Postage	20,000	9,000	29,000	35,423	35,423	-	20,000	9,000	29,000	27,940	27,496	444
Professional fees	91,000	40,800	131,800	98,986	85,446	13,540	76,300	28,000	104,300	202,943	202,547	396
Repairs and maintenance	218,000	145,000	363,000	453,708	393,929	59,779	218,400	150,000	368,400	428,150	428,149	1
Shipping	2,400	1,500	3,900	4,183	3,612	571	2,400	1,500	3,900	6,763	6,763	-
Supplies	53,250	15,750	69,000	63,609	60,647	2,962	60,500	20,000	80,500	65,975	65,905	70
Taxes - Water use	10,000	-	10,000	10,893	10,893	-	10,500	-	10,500	10,506	10,506	-
Transportation	54,560	36,250	90,810	93,638	115,291	(21,653)	49,100	37,550	86,650	97,247	87,493	9,754
Trustee fees - Administration	8,225	1,025	9,250	9,250	9,250	-	7,225	1,025	8,250	11,250	11,250	-
Uniforms	12,000	5,000	17,000	18,043	18,042	1	12,000	5,140	17,140	17,140	16,143	997

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Operating Revenues and Costs Funded by
Operating Revenues (Budget vs. Actual) (continued)
For the years ended December 31, 2022 and 2021

	2022						2021						
	Original Water Budget	Original Sewer Budget	Original Budget Total	Variance Favorable/ (Unfavorable)	Actual	Final Budget Total	Original Water Budget	Original Sewer Budget	Original Budget Total	Variance Favorable/ (Unfavorable)	Actual	Final Budget Total	Variance Favorable/ (Unfavorable)
Cost of Providing Services:													
Operation Control (continued):													
Utilities	357,120	83,500	440,620	(97,916)	546,674	448,758	356,500	78,500	435,000	458,175	481,106	458,175	(22,931)
Write-offs	3,500	3,500	7,000	2	9,844	9,846	5,000	5,000	10,000	6,812	2,676	6,812	4,136
Payroll Taxes	190,839	81,789	272,628	3,265	248,773	252,038	183,455	79,147	262,602	258,075	227,539	258,075	30,536
Administration Control:													
Salaries	1,081,875	463,660	1,545,535	4,498	1,552,486	1,556,984	455,675	195,897	651,572	978,076	989,515	978,076	(11,439)
Sick/vacation buyback	11,900	5,100	17,000	7	32,188	32,195	3,500	1,500	5,000	16,340	4,902	16,340	11,438
Executive (Management) Control:													
Salaries	-	-	-	-	-	-	226,965	97,271	324,236	7,148	-	7,148	7,148
Member Salaries	14,700	6,300	21,000	263	20,125	20,388	14,700	6,300	21,000	21,000	21,000	21,000	-
Field Control:													
Salaries	1,076,329	461,284	1,537,613	3,631	1,665,039	1,668,670	1,400,834	605,770	2,006,604	2,001,253	1,973,735	2,001,253	27,518
Sick/vacation buyback	8,750	3,750	12,500	3,079	2,131	5,210	7,000	3,000	10,000	15,351	15,351	15,351	-
Water Six Flags Great Adventure Control:													
Chemicals	-	7,000	7,000	-	7,334	7,334	-	7,000	7,000	7,000	6,476	7,000	524
License permits	-	640	640	-	660	660	-	640	640	640	638	640	2
Outside services	-	550	550	110	440	550	-	550	550	550	440	550	110
OCUA Regional sewer fee	-	250	250	2	1,408	1,410	-	250	250	250	-	250	250
Repairs and maintenance	-	1,000	1,000	256	744	1,000	-	1,000	1,000	3,375	3,375	3,375	-
Shipping	-	75	75	75	-	75	-	75	75	214	214	214	-
Supplies	-	500	500	500	-	500	-	500	500	500	204	500	296
Utilities	-	100	100	100	-	100	-	100	100	100	-	100	100
Maple Glen Control:													
Ads and notices	-	250	250	250	-	250	-	250	250	250	208	250	42
Chemicals	-	200	200	-	350	350	-	200	200	200	-	200	200
Laboratory services	-	4,800	4,800	60	4,740	4,800	-	4,800	4,800	4,800	3,970	4,800	830
License permits	-	4,000	4,000	636	3,364	4,000	-	4,000	4,000	4,000	3,624	4,000	376
Outside services	-	1,500	1,500	1,420	80	1,500	-	1,500	1,500	1,500	325	1,500	1,175
Professional fees	-	-	-	-	-	-	-	-	-	83	83	83	-
Repairs and maintenance	-	7,000	7,000	6,408	592	7,000	-	8,000	8,000	4,267	3,210	4,267	1,057
Shipping	-	130	130	-	148	148	-	130	130	130	77	130	53
Supplies	-	700	700	28	672	700	-	1,000	1,000	2,130	2,130	2,130	-
Utilities	-	17,000	17,000	6	18,779	18,785	-	16,000	16,000	16,007	15,620	16,007	387
Wastewater and sludge removal	-	4,000	4,000	2,493	1,507	4,000	-	4,000	4,000	4,000	1,252	4,000	2,748
Total Costs of Providing Services	5,087,990	5,230,264	10,318,254	(34,471)	10,349,826	10,315,355	5,043,986	5,212,103	10,256,089	10,337,985	10,195,683	10,337,985	142,302

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Operating Revenues and Costs Funded by
Operating Revenues (Budget vs. Actual) (continued)
For the years ended December 31, 2022 and 2021

	2022					2021					
	Original Water Budget	Original Sewer Budget	Original Budget Total	Variance Favorable/ (Unfavorable)	Actual	Original Water Budget	Original Sewer Budget	Original Budget Total	Variance Favorable/ (Unfavorable)	Actual	Variance Favorable/ (Unfavorable)
Other Costs Funded By Revenues:											
Principal Maturity	1,854,300	57,906	1,912,206	229,294	1,664,739	1,394,196	57,775	1,451,971	1,395,167	963,680	431,487
Total Costs Funded By Operating Revenues	6,942,290	5,288,170	12,230,460	194,823	12,014,565	6,438,182	5,269,878	11,708,060	11,733,152	11,159,363	573,789
Net Operating Revenues	1,964,196	1,313,964	3,278,160	448,462	3,747,694	1,971,752	1,102,507	3,074,259	3,049,167	2,743,066	(306,101)
Non-Operating Revenues/(Expenses):											
Interest Income and Other Income	77,900	27,340	105,240	46,725	151,965	79,800	30,397	110,197	110,197	111,877	1,680
Interest Expense and Other Expense	(373,632)	(3,686)	(377,318)	(228,528)	(605,846)	(352,532)	(6,655)	(359,187)	(359,187)	(483,199)	(124,012)
Depreciation and Amortization	(3,170,234)	(1,348,860)	(4,519,094)	(356,839)	(4,860,973)	-	(4,139,313)	(4,139,313)	(4,189,313)	(4,495,910)	(306,597)
Amortization of gain on refunding	47,000	-	47,000	-	47,000	45,000	-	45,000	45,000	45,000	-
NJIB loan issuance costs	-	-	-	-	-	(215,037)	-	(215,037)	(83,140)	(305,075)	(221,935)
NJIB loan issuance costs - waived	-	-	-	-	-	-	-	-	-	308,234	308,234
Amortization of loan premium	-	-	-	256,816	256,816	-	-	-	-	177,439	177,439
Loss on disposal of assets	-	-	-	(6,111)	(6,111)	-	-	-	(56,805)	-	-
Capital reimbursement	-	-	-	99,775	99,775	-	-	-	-	-	-
Debt service reimbursement	405,348	-	405,348	10,386	415,734	350,786	-	350,786	350,786	343,346	(7,440)
Total Non-Operating Revenues/(Expenses):	(3,013,618)	(1,325,206)	(4,338,824)	(171,664)	(4,501,640)	(2,917,132)	(4,115,571)	(4,207,554)	(4,182,462)	(4,355,093)	(172,631)
Deficiency Revenues Over Expenses	\$ (1,049,422)	\$ (11,242)	\$ (1,060,664)	\$ 276,798	\$ (783,866)	\$ (945,380)	\$ (3,013,064)	\$ (1,133,295)	\$ (1,133,295)	\$ (1,612,027)	\$ (478,732)
Reconciliation of Budgetary Basis to Net Income											
Deficiency Revenues Over Credits/(Expenses)					\$ (753,946)					\$ (1,612,027)	
Adjustments to Budgetary Basis:											
Principal Maturities					1,664,739					963,680	
Unbudgeted Pension Credit/(Expense)					623,896					1,073,852	
Unbudgeted OPEB Credit/(Expense)					240,805					123,801	
GASB87 Lease Adjustments					(40,252)					-	
Interest income from Leasing Arrangements					89,530					-	
Net Income/(Loss) Before Contributions					\$ 1,824,772					\$ 549,306	

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2022

NJIB 2007 Loans Payable			
For the year ended December 31,	Principal	Interest	Total
2023	\$ 316,276	-	\$ 316,276
2024	315,121	-	315,121
2025	316,122	-	316,122
2026	313,312	-	313,312
2027	316,526	-	316,526
Total	\$ 1,577,357	\$ -	\$ 1,577,357

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2022

NJIB 2013 Loans Payable - CW			
For the year ended December 31,	Principal	Interest	Total
2023	\$ 28,056	\$ 2,410	\$ 30,466
2024	28,223	2,244	30,467
2025	28,404	2,063	30,467
2026	28,596	1,871	30,467
2027	28,821	1,645	30,466
2028	29,061	1,405	30,466
2029	29,314	1,152	30,466
2030	29,581	885	30,466
2031	29,863	604	30,467
2032	30,158	309	30,467
Total	\$ 290,077	\$ 14,588	\$ 304,665

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2022

NJIB 2013 Loans Payable - DW			
For the year ended December 31,	Principal	Interest	Total
2023	\$ 40,051	\$ 3,441	\$ 43,492
2024	40,289	3,203	43,492
2025	40,546	2,946	43,492
2026	40,820	2,671	43,491
2027	41,143	2,348	43,491
2028	41,487	2,005	43,492
2029	41,848	1,644	43,492
2030	42,229	1,263	43,492
2031	42,629	863	43,492
2032	43,053	441	43,494
Total	\$ 414,095	\$ 20,825	\$ 434,920

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2022

NJIB 2015 Loans Payable			
For the year ended December 31,	Principal	Interest	Total
2023	\$ 345,000	\$ 95,000	\$ 440,000
2024	361,000	77,750	438,750
2025	380,000	59,700	439,700
2026	395,000	40,700	435,700
2027	419,000	20,944	439,944
Total	\$ 1,900,000	\$ 294,094	\$ 2,194,094

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2022

NJIB 2020 A-1 Loans Payable				
For the year ended December 31,	Principal	Interest	Total	
2023	\$ 209,668	\$ 52,981	\$	262,649
2024	209,668	51,231		260,899
2025	214,668	49,481		264,149
2026	214,668	47,481		262,149
2027	219,668	45,481		265,149
2028	219,668	43,231		262,899
2029	224,668	40,981		265,649
2030	224,668	38,481		263,149
2031	229,668	35,981		265,649
2032	229,668	33,781		263,449
2033	229,668	32,613		262,281
2034	229,668	31,375		261,043
2035	234,668	30,069		264,737
2036	234,667	28,644		263,311
2037	234,667	27,144		261,811
2038	239,667	25,644		265,311
2039	239,667	23,938		263,605
2040	239,667	22,231		261,898
2041	244,667	20,525		265,192
2042	244,667	18,600		263,267
2043	244,667	16,500		261,167
2044	249,667	14,400		264,067
2045	249,667	12,150		261,817
2046	254,667	9,900		264,567
2047	254,667	7,500		262,167
2048	259,667	5,100		264,767
2049	259,667	2,550		262,217
Total	\$ 6,341,022	\$ 767,993	\$	7,109,015

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Schedule of Debt Service Requirements by Years
December 31, 2022

NJIB 2021 A-1 Loans Payable			
For the year ended December 31,	Principal	Interest	Total
2023	\$ 733,858	\$ 387,079	\$ 1,120,937
2024	748,858	361,311	1,110,169
2025	768,858	328,000	1,096,858
2026	793,858	294,559	1,088,417
2027	818,858	260,654	1,079,512
2028	843,858	226,663	1,070,521
2029	873,858	192,450	1,066,308
2030	893,858	157,716	1,051,574
2031	923,858	131,185	1,055,043
2032	933,858	113,790	1,047,648
2033	943,858	97,530	1,041,388
2034	953,858	82,198	1,036,056
2035	978,858	67,587	1,046,445
2036	993,858	53,287	1,047,145
2037	998,858	47,061	1,045,919
2038	1,018,858	33,531	1,052,389
2039	1,028,858	24,763	1,053,621
2040	1,038,858	18,963	1,057,821
2041	204,838	13,063	217,901
2042	209,837	11,963	221,800
2043	209,837	10,763	220,600
2044	209,837	9,563	219,400
2045	209,837	8,363	218,200
2046	209,837	7,163	217,000
2047	214,837	5,963	220,800
2048	214,837	4,500	219,337
2049	214,837	3,038	217,875
2050	224,837	1,575	226,412
Total	\$ 18,412,815	\$ 2,954,281	\$ 21,367,096

JACKSON TOWNSHIP MUNICIPAL UTILITIES AUTHORITY
(A Component Unit of the Township of Jackson, County of Ocean, State of New Jersey)
Board of Commissioners and Management
December 31, 2022

William J. Allmann Chairman
Clara Glory Treasurer
Todd Porter Assistant Secretary/Treasurer
Janet Longo Secretary
Lewis Wildman Commissioner
Karen Bressi Alternate
David Harpell Executive Director
James R. Diaz Assistant Executive Director/Director of Finance

Honorable Chairman and Members
of the Jackson Township Municipal Utilities Authority
County of Ocean
Jackson, New Jersey

We have audited the financial accounts and transactions of the Jackson Township Municipal Utilities Authority (hereafter referred to as the Authority), a component unit of the Township of Jackson, County of Ocean, State of New Jersey for the year ended December 31, 2022. 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.

It is pointed out that the Members of the Authority have 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: 2021 Water Meter Change out Program, 2022 900 Eco Combination Sewer Cleaner, 2022 Sodium Hydroxide Chemical Supply, Quarterly Furnishings of Sodium Hydroxide, Hampshire Hills Pump Station Grinder, Pump and Piping Project, Dublin Road Pump Station Variable Frequency Drive and Soft Start Replacement, Dublin Road Pump Repair and Installation, North Cooks Bridge Road Water Main Extension, Lead and Copper Survey, 2022 Furnish and Delivery of Spare Pump and Parts, Uniform Services and 2023 Chemical Supply.

The minutes 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 made. The results of the examination did not disclose any discrepancies with respect to cash receipts.

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 we ascertained that the accumulated withholdings were disbursed to the proper agencies.

Property, Plant & Equipment

The property, plant and equipment subsidiary ledger were maintained properly and a reconciliation between the physical and perpetual inventory records was performed at year-end.

Budget Adoption

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. The Authority approved its operating budget on October 28, 2021 and adopted its operating budget on November 18, 2021.

Current Year Findings

There were no current year findings.

Follow-Up of Prior Years' Findings

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

Acknowledgment

We received the complete cooperation of all the staff of the Authority 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 concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call us.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

December 5, 2023
Lakewood, New Jersey