



# **OCEAN COUNTY UTILITIES AUTHORITY**

HELPING TO PRESERVE THE WATER RESOURCES OF OCEAN AND SOUTHERN MONMOUTH COUNTIES...

**OCEAN COUNTY UTILITIES AUTHORITY**

**Financial Statements**

**December 31, 2023 and 2022**

**With Independent Auditor's Reports**

**Ocean County Utilities Authority**  
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**December 31, 2023 and 2022**

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Commissioners  
of the Ocean County Utilities Authority

### Report on the Audit of the Financial Statements

#### Opinion

We have audited the accompanying financial statements of the business-type activities of Ocean County Utilities Authority, a component unit of the County of Ocean, State of New Jersey, (hereafter referred to as the "Authority"), as of and for the years ended December 31, 2023 and 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2023 and 2022, and the respective changes in financial position and where applicable, cash flows thereof for the 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 these financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* and audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud

may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and other required supplementary information as listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying schedule of expenditures of state financial assistance, as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* and the other 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 schedules of expenditures of federal awards and state financial assistance and other supplementary information are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Information**

Management is responsible for the other information included in the annual report. The other information comprises the Board of Commissioners (Schedule 8) but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 23, 2024 on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Authority's internal control over financial reporting and compliance.

*HOLMAN FRENIA ALLISON, P.C.*

**HOLMAN FRENIA ALLISON, P.C.**

*Certified Public Accountants*

October 23, 2024  
Lakewood, New Jersey



# **OCEAN COUNTY UTILITIES AUTHORITY**

HELPING TO PRESERVE THE WATER RESOURCES OF OCEAN AND SOUTHERN MONMOUTH COUNTIES...

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



# OCEAN COUNTY UTILITIES AUTHORITY

HELPING TO PRESERVE THE WATER RESOURCES OF OCEAN AND SOUTHERN MONMOUTH COUNTIES...

This section presents management's analysis of the Ocean County Utilities Authority's (the "Authority") financial condition and activities for the year ended December 31, 2023. Management's Discussion and Analysis ("MD&A") serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information.

## **Authority Overview**

The Authority was founded for the purpose of protecting and preserving the area's vital environment for current and future generations and by so doing ensure a healthy ecology, a robust economy, and a high quality of life for our citizens.

The skilled and dedicated men and women at the Authority accomplish this by effectively collecting and treating wastewater from our service areas' thirty-seven participants and then recycling safe, clean water back into the natural ecosystem.

Our philosophy is never to lose sight of those who we are committed to serve: residents, businesses, public institutions, and the millions of seasonal visitors to the many attractions located within our service region.

All the plans, improvements and system changes are made to ensure that we continue to meet or surpass all mandated federal and state regulations and standards, and to operate the Authority at as low a cost to our customers as possible.

## **Summary of Organization and Business**

The Authority, a public body corporate and politic of the State of New Jersey was created pursuant to a resolution adopted by the Board of Chosen Freeholders of Ocean County on July 8, 1970, and the Sewerage Authorities Law, constituting Chapter 38 of the Pamphlet Laws of 1946 of the State as amended (the "Original Act"). On December 6, 1978, the Ocean County Sewerage Authority was reorganized as the Ocean County Utilities Authority pursuant to the Act.

The Authority has the statutory power to acquire, to construct, to maintain and to operate sewerage facilities for the relief of waters in, bordering, or entering the areas within the territorial boundaries of the County from pollution or threatened pollution and for the improvement of conditions affecting the public health.

Pursuant to the provisions of the Act, the Authority presently consists of twelve Commissioners, eleven of whom are appointed by the Ocean County Board of Commissioners and one of whom is appointed by the Monmouth County Board of Commissioners. All members of the Authority are appointed to five-year terms. The Authority is administered by an Executive Director appointed by the members and directly responsible to them. The Authority has approximately 260 employees who are organized into four activities: Finance and Administration, Engineering and Construction, Operations and Maintenance, and Technical Services.

The Authority's Service Area includes portions of the Atlantic Coastal Drainage Basin in Ocean County, the Metedeconk River Drainage Basin, which is located in Ocean and Monmouth Counties, and the Manasquan River Drainage Basin, which is located in Monmouth County. The Authority currently has Service Contracts with 36 contracting customers, including 20 municipalities, 13 municipal authorities, 3 private corporations and the Department of the Navy for the Naval Air Warfare Center at Lakehurst.

The System encompasses trunk and interceptor sewer lines, metering stations, pump stations and three treatment plants. The Northern Service Area treatment facility ("NWPCF") commenced initial operations in September 1976, the Southern Service Area treatment facility ("SWPCF") commenced initial operations in August 1977, and the Central Service Area treatment facility ("CWPCF") was the last to come on-line, commencing initial operations in December 1979. The Authority's three regional treatment facilities provide secondary treatment and disinfection of the wastewater collected in the service areas. The treatment processes at each of the plants are essentially the same. The primary treatment process consists of influent pumping, screening to remove large objects, aerated grit chambers for grit removal, and primary settling to remove suspended and organic matter. The secondary treatment for biological reduction of pollutants includes diffused air aeration and final settling. Disinfection is provided with the effluent conveyed through outfall lines equipped with diffuser systems to the Atlantic Ocean. In addition, the Authority has constructed septage-receiving facilities at the Central Treatment Facility to allow for septage treatment as a result of a 1980 State law prohibiting certain landfills from receiving septage.

In 1997, The Authority completed construction and testing of a new centralized sludge drying facility located at the CWPCF in Bayville. The system utilizes Andritz, Inc. rotary drum sludge dryers fueled by natural gas to produce a final pelletized product that is approved for use as fertilizer and is marketed under the product name Oceangro. In accordance with the provisions of the New Jersey Wastewater Treatment Public-Private Contracting Act, N.J.S.A. 58:27-1.9 et seq., the Authority entered into a contract with Andritz, Inc. to operate the facility. The current contract has been extended to December 31, 2027.

The County of Ocean has agreed, pursuant to the County Agreement dated September 15, 1971 ("Deficiency Advance Contract"), to pay the Authority amounts ("Deficiency Advances"), if any, equal to any excess of the Authority's expenses (including debt service) over its receipts. In the opinion of Bond Counsel to the Authority, the obligation of the County to make Deficiency Advances is a valid and binding general obligation of the County.

#### **Hurricane Sandy**

In 2012, the Authority was affected by Hurricane Sandy's storm surge as it hit the New Jersey coastline. The storm primarily impacted the Authority's collection and conveyance systems. The three treatment plants remained relatively unscathed. Damages were sustained to 27 pump stations, 23 metering chamber facilities and 16 cathodic protection stations. The three ocean outfalls were inspected via marine divers and no damage was reported. Within one week following the storm, the Authority was able to restore adequate sewerage services to each participant in the regional system affected by the storm. Long-term mitigation projects have been completed to strengthen facilities with the goal of reducing or eliminating future losses from similar storm events.

#### **GASB 68 - Accounting and Financial Reporting for Pensions**

During the fiscal year ended December 31, 2015, the Authority was required to adopt GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*, and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, relative to its participation in the Public Employees Retirement System (PERS).

Historically, the Authority has recorded its contributions to the plan as expenses in the year these contributions were required by the State of New Jersey Division of Pensions and Benefits. With the adoption of GASB 68, the Authority is required to record a liability in its financial statements for its proportionate share of the PERS plan liability and expenses. The Authority's December 31, 2023 net pension liability decreased to \$34,460,251, deferred outflows of resources decreased to \$1,076,524, and deferred inflows of resources decreased to \$3,426,048. All employers who participate in the PERS are required to record a proportionate share of the June 30, 2023 and 2022 net pension liability in their respective financial statements which total \$14,606,489,066 and \$15,219,184,920, respectively. Management intends to fund this liability through annual required contributions determined by the actuary, and it is unlikely that this liability would be callable in full.



**GASB 75 – Accounting and Financial Reporting for Postemployment Benefits Other Than Pension**

In June 2015, the Governmental Accounting Standards Board issued GASB Statement No. 75, *Accounting and Financial Reporting of Postemployment Benefits Other Than Pension* ("OPEB"), which was effective for fiscal years beginning after June 12, 2017. Similar to GASB Statement No. 68, the Authority is required to record a liability in its financial statements for its proportionate share of the OPEB plan liability and expenses. As a result of implementing this statement during fiscal year ended December 31, 2018, the beginning unrestricted net position decreased by \$93,299,548.

Historically, the Authority has recorded its OPEB payment as an expense in the year these contributions were paid to the State of New Jersey Division of Pensions and Benefits. With the adoption of GASB 75, the Authority is required to record a liability in its financial statements for its proportionate share of the OPEB liability and expenses. The Authority's December 31, 2023 net OPEB liability increased to \$67,775,835, deferred outflows of resources increased to \$30,370,994 and deferred inflows of resources increased to \$39,582,928. Management intends to fund this liability through annual required contributions determined by the actuary, and it is unlikely that this liability would be callable in full.

**Financial Highlights**

Management believes the Authority's financial condition is strong. The stringent financial policies and guidelines set by the Board of Commissioners and Management, with the adoption of the Cash Management and Investment Policy and the Seven-Year Capital Improvement Plan in particular, add to the financial strength of the Authority. The following are key financial highlights for 2023 and 2022:

For fiscal years 2023 and 2022, the Authority treated 18.305 and 17.942 billion gallons of wastewater, respectively.

User charges and fees revenues and product sales were \$76.90 million, an increase from 2022 in the amount of \$1.94 million or 2.6% more.

Operating expenses excluding depreciation increased approximately \$4.67 million or 10.0% from 2022. The bulk of this increase was attributable to increases in chemical and health insurance costs.

Operating income after depreciation for the year 2023 was approximately 9.32 million.

Total net position increased by \$11.328 million from 2022.

The Authority budgets on a cash basis and does not fund depreciation. The Authority's 2023 operating revenues exceeded operating expenses. The Authority appropriated \$4.5 million to its capital budget from operations during 2023.

**Audit Assurance**

The unmodified opinion of our independent external auditors, HFA, is included in this report.

**Financial Analysis**

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

Comments regarding budget-to-actual variances and year-to-year variances are included in each section by the name of the statement or account.

## Condensed Statements of Net Position

	December 31		
	2023	2022	2021
<b>Assets and deferred outflows of resources</b>			
Current assets	\$ 22,356,272	\$ 23,034,665	\$ 22,564,823
Non-current assets	44,747,574	46,769,511	52,630,128
Restricted assets	30,046,165	27,881,998	28,977,462
Capital assets	267,943,915	258,236,986	265,919,376
Deferred outflows of resources	36,355,246	27,980,842	26,179,932
Total assets and deferred outflows of resources	<u>401,449,172</u>	<u>383,904,002</u>	<u>396,271,721</u>
<b>Liabilities and deferred inflows of resources</b>			
Current liabilities	29,192,784	26,117,205	26,039,447
Non-current liabilities	193,760,822	189,208,226	203,939,669
Deferred inflow of resources	47,626,015	49,036,908	51,221,405
Total liabilities and deferred inflows of resources	<u>270,579,621</u>	<u>264,362,339</u>	<u>281,200,521</u>
<b>Net position</b>			
Net investment in capital assets	179,364,124	170,259,399	168,170,579
Restricted	12,881,944	12,888,819	12,890,850
Unrestricted	(61,376,517)	(63,606,555)	(65,990,229)
Total net position	<u>130,869,551</u>	<u>119,541,663</u>	<u>115,071,200</u>
Total liabilities, deferred inflows and net position	<u>\$ 401,449,172</u>	<u>\$ 383,904,002</u>	<u>\$ 396,271,721</u>

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

	<b>December 31</b>		
	<b>2023</b>	<b>2022</b>	<b>2021</b>
<b>Operating revenues</b>			
Charges for services	\$ 76,416,380	\$ 74,579,567	\$ 77,524,521
Product sales	483,799	378,922	383,983
Total operating revenues	<u>76,900,179</u>	<u>74,958,489</u>	<u>77,908,504</u>
<b>Operating expenses</b>			
Operations and maintenance	45,649,298	41,471,009	37,300,277
Depreciation	16,064,181	17,663,860	17,230,204
Administration and general	5,869,434	5,413,197	5,421,447
Total operating expenses	<u>67,582,913</u>	<u>64,548,066</u>	<u>59,951,928</u>
<b>Operating income</b>	9,317,266	10,410,423	17,956,576
Non operating revenues (expenses)	<u>2,010,622</u>	<u>(5,939,960)</u>	<u>(2,271,323)</u>
<b>Changes in net position</b>	11,327,888	4,470,463	15,685,253
Net position - beginning of year	<u>119,541,663</u>	<u>115,071,200</u>	<u>99,385,947</u>
Total net position - end of year	<u>\$ 130,869,551</u>	<u>\$ 119,541,663</u>	<u>\$ 115,071,200</u>

## Other Selected Information

	Year		
	2023	2022	2021
<b>Selected data for analysis</b>			
Employees at year-end	265	265	267
Sewer customers at year-end	37	37	37
Septage haulers at year-end	20	21	21
Fertilizer customers at year-end	69	66	60
Annual sewage flow in million gallons	18,305	17,942	18,689
<b>User rates</b>			
Sewer use per million gallons	\$ 4,039	\$ 4,039	\$ 4,039
Septage disposal per thousand gallons	68.30	68.30	68.30
Graywater disposal per thousand gallons	31.72	31.72	31.72
BOD surcharge per pound	0.41	0.41	0.41
Suspended solids surcharge per pound	0.39	0.39	0.39
<b>Ratio of operating revenue to</b>			
Operating expenses including depreciation	1.14	1.16	1.30
Operating expenses exclusive of depreciation	1.49	1.60	1.82
Total assets	0.19	0.21	0.21
Total net position	0.59	0.63	0.68
<b>Debt related ratios</b>			
Equity to long-term debt	1.45	1.33	1.11
Current ratio	0.77	0.88	0.87
Operating ratio	0.67	0.63	0.55
Debt service coverage	1.54	1.64	2.09
General fund to operating expenses	1.14	1.32	1.56

## Results of Operations

**Operating Revenues:** Revenues from operations fall into two general categories: charges for services and product sales. Charges for services include sewer use income, septage, application fees, sales of plans and specifications, scrap metal sales, assessments, and miscellaneous income. Product sales are sales of fertilizer produced by converting sludge generated from the treatment process at all three facilities into fertilizer pellets. This organic fertilizer product is registered with the N. J. Department of Agriculture and is marketed under the name "Oceangro".

**Operating Expenses before depreciation:** The Authority's operating expenses consist of the following categories: employment costs, repairs and maintenance, supplies and materials, utilities, bad debt expense, and administration. Operating expenses increased by approximately \$4,634,526 or 10% from 2022.

## Rates and Billing and Collection Process

The rate of charge per million gallons of sewage treated, known as the Bulk Rate, is set by the Authority on an annual basis in accordance with the Municipal and County Utilities Authorities Law and the Bond Resolution. The rate per million gallons for 2023 and 2022 was \$4,039. The Bulk Rate for 2024 will be \$4,120.

Customers, known as Participants, are required to pay estimated Annual Charges to the Authority in equal quarterly installments. These Annual Charge payments are based on the estimated wastewater flows and the current Bulk Rate. The amount of this estimated Annual Charge is stated in a certificate delivered to each Participant no later than January 31 of each year. The Participants are required to make Annual Charge payments on the first days of March, June, September, and December, except for the Manasquan River Regional Sewerage Authority whose payments are due on the last days of March, June, September, and December. There are two exceptions to the above-described process – Long Beach Township and the Naval Air Warfare Center, both which make quarterly payments based on actual metered flows.

At the end of each calendar year, the estimated Annual Charge billings are adjusted to reflect the actual wastewater discharged by the Participant during the year. This process is referred to as a “Deficiency Notification” and can result in an additional amount due to the Authority or a credit due to the Participant. All additional payments or refunds due are billed in the first quarter of the following fiscal year.

Pursuant to the service contracts, the Participants are required to pay interest at the rate of eight percent (8%) per annum on any Annual Charge payment or part thereof due to the Authority that shall remain unpaid for 30 days following its due date.

### **Capital Improvement Program**

As part of the annual budget process, the Authority updates its Capital Improvement Plan. This Plan generally updates the projected capital expenditures for the current year, the upcoming budget year as well as for an additional six-year planning period. The 2023 capital budget projection was \$39,335,000. Actual capital expenditures for 2023 were \$26,120,000.

The Authority currently has approximately 135 discreet projects listed on the Capital Improvement Plan – 5 of these projects are under construction, 30 are in various phases of evaluation and design, and the balance will be addressed in the coming years. All proposed projects on the Plan have been, or will be, evaluated for economic feasibility. As the Authority moves forward with each major project, it is submitted for review by all agencies having jurisdiction.

The Authority's Capital Improvement Program is financed from a combination of sources. The current Capital Improvement Plan projects total expenditures for the six-year period of 2024 through 2029 of \$241,340,000. Funding is expected from the following sources:

Operating Appropriation/General Fund	\$ 60,540,000
NJIB Loans	\$180,800,000

It is the Authority's policy to utilize the New Jersey Infrastructure Bank (“NJIB”) to the greatest extent possible. For eligible projects, three quarters of the cost is funded by an interest-free “Fund” loan, and quarter of the cost is funded by a “Trust” loan which bears market-rate interest. NJIB loans are on a reimbursement basis whereby the Authority receives loan payments upon submission of a reimbursement voucher to the Trust. Interest is credited to the Authority's account for funds held by the Trust.

### **Final Comments**

The Authority has adopted appropriate strategic operating, finance and capital improvement plans that ensure the Authority will continue to provide the residents of Ocean County with an exemplary level of service while maintaining reasonable and stable rates.



# **OCEAN COUNTY UTILITIES AUTHORITY**

HELPING TO PRESERVE THE WATER RESOURCES OF OCEAN AND SOUTHERN MONMOUTH COUNTIES...

## **FINANCIAL STATEMENTS**

**Ocean County Utilities Authority**  
**Statements of Net Position**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Assets and Deferred Outflows of Resources</b>		
Current assets		
Cash and cash equivalents	\$ 13,902,892	\$ 15,331,606
Accounts receivable, less allowance for doubtful accounts	2,923,897	2,741,823
Inventories	3,879,762	3,595,211
Prepaid expenses	1,649,721	1,366,025
Total current assets	<u>22,356,272</u>	<u>23,034,665</u>
Non-current assets		
Investments	<u>44,747,574</u>	<u>46,769,511</u>
Restricted assets		
Cash and cash equivalents	7,102,694	9,731,312
Investments	22,521,015	17,766,202
Interest receivable	422,456	384,484
Total restricted assets	<u>30,046,165</u>	<u>27,881,998</u>
Capital assets		
Property, plant, and equipment	941,650,246	934,101,050
Construction in progress	47,699,269	30,026,067
	<u>989,349,515</u>	<u>964,127,117</u>
Less: Accumulated depreciation	<u>721,405,600</u>	<u>705,890,131</u>
Net capital assets	<u>267,943,915</u>	<u>258,236,986</u>
Total assets	<u>365,093,926</u>	<u>355,923,160</u>
Deferred outflows of resources		
Pension related	1,076,524	2,878,311
OPEB related	35,278,722	25,102,531
Total deferred outflows of resources	<u>36,355,246</u>	<u>27,980,842</u>
Total assets and deferred outflows of resources	<u>\$ 401,449,172</u>	<u>\$ 383,904,002</u>

See Independent Auditor's Report.

The Notes to Financial Statements are an integral part of these statements.

**Ocean County Utilities Authority**  
**Statements of Net Position (continued)**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Liabilities, Deferred Inflows of Resources, and Net Position</b>		
Current liabilities payable from current assets		
Accounts payable	\$ 4,120,006	\$ 2,778,095
Accrued expenses	4,037,210	3,688,866
Unearned revenue	2,658,696	3,711,611
Total current liabilities payable from current assets	<u>10,815,912</u>	<u>10,178,572</u>
Current liabilities payable from restricted assets		
Accounts payable	2,182,126	-
Retainage payable and other	748,099	508,690
Revenue bonds, due within one year	3,845,000	3,655,000
Loans payable, due within one year	10,857,948	10,860,139
Accrued interest payable	743,699	914,804
Total current liabilities payable from restricted assets	<u>18,376,872</u>	<u>15,938,633</u>
Total current liabilities	<u>29,192,784</u>	<u>26,117,205</u>
Non-current liabilities		
Compensated absences payable	1,340,391	1,371,038
Long-term portion of revenue bonds payable, net	8,531,157	12,520,781
Long-term portion of loans payable, net	66,835,492	62,877,619
Net pension liability	34,460,251	35,998,575
Net OPEB liability	82,593,531	76,440,213
Total non-current liabilities	<u>193,760,822</u>	<u>189,208,226</u>
Total liabilities	<u>222,953,606</u>	<u>215,325,431</u>
Deferred inflows of resources		
Pension related	3,426,048	7,320,979
OPEB related	44,199,967	41,715,929
Total deferred inflows of resources	<u>47,626,015</u>	<u>49,036,908</u>
Net position		
Net investment in capital assets	179,364,124	170,259,399
Restricted for		
Bond reserve	4,381,944	4,388,819
Renewal and replacement	5,000,000	5,000,000
Revenue reserve	3,500,000	3,500,000
Unrestricted net deficit	(61,376,517)	(63,606,555)
Total net position	<u>130,869,551</u>	<u>119,541,663</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 401,449,172</u>	<u>\$ 383,904,002</u>

See Independent Auditor's Report.

The Notes to Financial Statements are an integral part of these statements.



**Ocean County Utilities Authority**  
**Statements of Revenues, Expenses, and Changes in Net Position**  
**Years Ended December 31, 2023 and 2022**

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	<u>2023</u>	<u>2022</u>
<b>Operating revenues</b>		
User charges and fees	\$ 75,868,642	\$ 74,150,814
Product sales	483,799	378,922
Other	<u>547,738</u>	<u>428,753</u>
Total operating revenues	<u>76,900,179</u>	<u>74,958,489</u>
<b>Operating expenses exclusive of depreciation</b>		
Employment costs	31,439,430	29,186,442
Pension benefit, net	(3,631,468)	(5,527,864)
OPEB expense, net	(1,364,229)	186,625
Repairs and maintenance	2,878,343	2,960,958
Supplies and materials	9,461,192	7,506,744
Utilities	6,866,030	7,158,104
Administration	<u>5,869,434</u>	<u>5,413,197</u>
Total operating expenses exclusive of depreciation	<u>51,518,732</u>	<u>46,884,206</u>
<b>Operating income before depreciation</b>	25,381,447	28,074,283
Depreciation	<u>16,064,181</u>	<u>17,663,860</u>
Operating income	<u>9,317,266</u>	<u>10,410,423</u>
<b>Non-operating revenues (expenses and losses)</b>		
Insurance recoveries	-	418,262
Pension revenue - special funding	107,469	75,742
Pension expense - special funding	(107,469)	(75,742)
Grant revenue for capital projects	204,863	-
Interest and investment income (loss)	3,229,252	(4,617,694)
Interest expense	(1,103,252)	(1,407,955)
Gain (loss) on disposal of assets	<u>(320,241)</u>	<u>(332,573)</u>
Total non-operating revenues (expenses and losses)	<u>2,010,622</u>	<u>(5,939,960)</u>
<b>Changes in net position</b>	11,327,888	4,470,463
<b>Net position</b>		
Beginning of year	<u>119,541,663</u>	<u>115,071,200</u>
End of year	<u>\$ 130,869,551</u>	<u>\$ 119,541,663</u>

See Independent Auditor's Report.

The Notes to Financial Statements are an integral part of these statements.

**Ocean County Utilities Authority**  
**Statements of Cash Flows**  
**Years Ended December 31, 2023 and 2022**

	<b>2023</b>	<b>2022</b>
<b>Operating activities</b>		
Receipts from customers and users	\$ 75,313,913	\$ 78,148,756
Payments to employees	(31,296,340)	(29,323,165)
Payments to suppliers	(21,863,782)	(24,682,082)
Net cash provided by operating activities	<u>22,153,791</u>	<u>24,143,509</u>
<b>Capital and related financing activities</b>		
Purchases of capital assets	(26,119,871)	(10,317,154)
Proceeds from sale of capital assets	28,520	3,109
Insurance recoveries/Financing rebate	335,260	83,003
Proceeds from NJIB and ERB loan/grant funds	15,534,194	5,296,819
Principal paid on debt	(14,515,139)	(14,912,116)
Interest paid on debt, net of savings credits	(1,932,491)	(2,240,872)
Net cash used in capital and related financing activities	<u>(26,669,527)</u>	<u>(22,087,211)</u>
<b>Investing activities</b>		
Proceeds from investment maturities	23,713,287	22,687,965
Proceeds from sales of investments	11,813,639	6,444,351
Purchases of investments	(37,557,005)	(30,101,382)
Interest and investment income received	2,488,483	1,801,707
Net cash used in investing activities	<u>458,404</u>	<u>832,641</u>
Net change in cash and cash equivalents	(4,057,332)	2,888,939
<b>Cash and cash equivalents</b>		
Beginning of year	<u>25,062,918</u>	<u>22,173,979</u>
End of year	<u>\$ 21,005,586</u>	<u>\$ 25,062,918</u>
<b>Cash and cash equivalents - statements of net position</b>		
Cash and cash equivalents	\$ 13,902,892	\$ 15,331,606
Restricted cash and cash equivalents	7,102,694	9,731,312
Total cash and cash equivalents - statements of net position	<u>\$ 21,005,586</u>	<u>\$ 25,062,918</u>

See Independent Auditor's Report.

The Notes to Financial Statements are an integral part of these statements.

**Ocean County Utilities Authority**  
**Statements of Cash Flows (continued)**  
**Years Ended December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Reconciliation of operating income to net cash provided by operating activities</b>		
Operating income	\$ 9,317,266	\$ 10,410,423
Adjustments to reconcile operating income to net cash provided by operating activities		
Depreciation expense	16,064,181	17,663,860
Bad debt expense	16,017	-
Changes in operating assets and liabilities		
Accounts receivable	(533,351)	1,298,916
Inventories	(284,551)	(173,575)
Prepaid expenses	(283,696)	4,036
Deferred outflows of resources	(8,374,405)	(1,800,910)
Accounts payable	3,524,038	(1,389,919)
Accrued expenses and compensated absences	317,697	94,520
Unearned revenue	(1,052,915)	1,891,351
Retainage payable and other	239,409	(83,621)
Net pension liability	(1,538,324)	8,205,491
Net OPEB liability	6,153,318	(9,792,566)
Deferred inflows of resources	(1,410,893)	(2,184,497)
Net cash provided by operating activities	<u>\$ 22,153,791</u>	<u>\$ 24,143,509</u>

See Independent Auditor's Report.

The Notes to Financial Statements are an integral part of these statements.

**Ocean County Utilities Authority**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

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**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The Ocean County Utilities Authority (the "Authority"), a public body, was created to construct and operate a wastewater collection and treatment system to serve Ocean County and portions of Monmouth County. The Authority has entered into a service contract agreement with its participants, obligating each user to make payments to the Authority for its proportionate share of the Authority's operating expenses, debt service, and required reserves.

The Authority was created pursuant to a resolution adopted by the Board of Chosen Freeholders of Ocean County on July 8, 1970, and the Sewerage Authorities Law, constituting Chapter 138 of the Pamphlet Laws of 1946 of the State as amended ("Original Act"). On December 6, 1978, the Ocean County Sewerage Authority was reorganized as the Ocean County Utilities Authority pursuant to the Original Act.

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 sewage sludge. The statutes, enacted as the "Municipal and Counties Utilities Authorities Act," are codified in New Jersey Statutes Annotated as NJSA 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 NJSA 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.

The Board of Commissioners of the Authority consists of ten members and two alternates, eleven of whom are appointed by the Ocean County Board of Commissioners and one of whom is appointed by Monmouth County Board of Commissioners. All members of the Authority are appointed to five-year terms.

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

**Reporting Entity**

The Authority is considered to be a "Component Unit" of the County of Ocean ("County") under accounting principles generally accepted in the United States of America ("GAAP"). This determination is based on (1) the oversight responsibility of the County, which is carried out primarily in the selection of Commissioners of the Authority, and (2) the accountability for fiscal matters, as evidenced by the Deficiency Advance Contract dated September 15, 1971, that obligates the County to provide for any deficits of the Authority, where such advances are to be refunded to the County through subsequent collection of user fees.

The County does not follow GAAP for accounting and financial reporting purposes. Rather, it follows a regulatory basis, utilizing accounting principles that differ, in some cases significantly, from GAAP. The financial statements of the County do not include the financial statements of the Authority, based on the separate legal status of the Authority.

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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**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. Enterprise funds are used to account for operations that (a) are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that costs of providing services to the general public on a continuing basis be financed or recovered primarily through user charges, and where (b) the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, accountability, or other purposes.

**Accounting Pronouncements Adopted in the Current Year**

*Subscription-Based Information Technology Arrangements*

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. The Authority adopted this statement in the current year. The implementation of this statement did not have a material impact on the Authority's financial statements and related disclosures.

**New Accounting Pronouncements Not Yet Adopted**

*Compensated Absences*

Statement No. 101, *Compensated Absences*. This Statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability (as long as they identify it as a net change). In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences. The requirements of this Statement are effective for fiscal years beginning after December 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has yet to determine the potential impact of this pronouncement on the Authority's financial statements.

*Accounting Changes and Error Corrections*

Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement No. 62*. This Statement defines accounting changes as changes in accounting principles, changes in accounting estimates, and changes to or within the financial reporting entity and describes the transactions or other events that constitute those changes. This Statement also addresses corrections of errors in previously issued financial statements. The effective date is for fiscal years beginning after June 15, 2023, and all reporting periods thereafter. Earlier application is encouraged. Management has yet to determine the potential impact of this pronouncement on the Authority's financial statements.

**A. Basis of Accounting**

The accounting policies of the Authority conform to GAAP as applicable to government entities. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The Authority's financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues from operations, investments, and other sources are recorded when earned, and expenses are recorded when liabilities are incurred.

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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The Authority classifies charges to provide services to users and product sales as operating revenue and all other income as non-operating revenue. Non-exchange transactions in which the Authority receives value without directly giving equal value in return include grants. Unearned revenue arises when assets are received before revenue recognition criteria have been satisfied. Revenue from grants is recognized in the year in which all eligibility requirements have been satisfied. Eligibility requirements include timing requirements, which specify the year when the resources are required to be used or the fiscal year when use is first permitted; matching requirements, where the Authority must provide local resources to be used for a specific purpose; and expenditure requirements, where the Authority is provided resources on a reimbursement basis.

**B. Use of Estimates**

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Significant estimates include the useful lives of capital assets and depreciation expense, the net pension liability, and net other postemployment benefits ("OPEB") liability.

**C. Cash and Cash Equivalents**

Cash and cash equivalents include interest-bearing accounts and short-term investments with an original maturity of three months or less, carried at cost which approximates market.

**D. Investments**

Investments consist of U.S. Treasury obligations, money market funds, U.S. Treasury notes, and securities insured by the U.S. government. Investments are reported at fair value with changes in fair value being reported within non-operating revenues/expenses in the Statements of Revenues, Expenses, and Changes in Net Position.

**E. Accounts Receivable**

The Authority bills its participants for sewer usage in equal, quarterly installments, according to their estimated, projected annual usage determined at the beginning of each fiscal year. An annual adjustment for the difference between estimated and actual flows is billed to the participant as a charge or credit in the first quarter of the subsequent fiscal year. For financial statement presentation, these adjustments are reflected in revenue for the year earned. Certain participants are billed quarterly according to their actual usage. Pursuant to the service contracts, customers are required to pay interest at the rate of 8% per annum on any annual charge payment or part thereof due to the Authority that shall remain unpaid for 30 days following its due date. As of December 31, 2023, and 2022, an allowance for doubtful accounts of approximately \$15,942 and \$93,911, respectively, has been established based on accounts that may be uncollectible.

**F. Inventories**

Inventories of spare parts, chemicals, and supplies are expensed when consumed. Inventories are stated at cost, as determined by the average cost valuation method, which approximates the first-in, first-out method. No determinations have been made, and no allowances have been recorded with respect to obsolete or surplus inventories, as management believes all inventory items are unique to the Authority's system and will be used in future years.

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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**G. Net Position**

Net position is identified as the residual of all other elements presented in the statements of net position. Net position is classified in the following three components:

*Net Investment in Capital Assets* - This component consists of capital assets (including restricted capital assets), net of accumulated depreciation, and any funds receivable from the New Jersey Infrastructure Bank ("NJIB") and the New Jersey Energy Resilience Bank ("ERB") for capital expenditures, reduced by the outstanding balances of any bonds, notes, or other borrowings and deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt. If there are significant, unspent related-debt proceeds or deferred inflows of resources at year-end, the portion of the debt or deferred inflows of resources attributable to the unspent amount should not be included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

*Restricted* - This component of net position consists of (1) constraints imposed by external groups such as creditors, grantors, contributors, laws, or regulations of other governments, or (2) constraints imposed by law through constitutional provisions or enabling legislation. Certain components of net position are restricted for specific use as required by the Authority's bond resolutions. The purpose of each is indicated on the face of the Statements of Net Position. The Authority's policy is to apply restricted resources first when an expense is incurred for purposes for which both restricted and unrestricted net assets are available.

*Unrestricted* - This component of net position is the net amount of the assets, deferred outflows of resources, liabilities, and deferred inflows of resources that are not included in the determination of either Net Investment in Capital Assets or the Restricted component of net position.

**H. Bond Resolution Requirements**

The Authority is operating under a Bond Resolution adopted December 20, 1985, and various related subsequently adopted supplemental resolutions.

Pursuant to the Bond Resolution, the Authority established the following funds:

*Revenue Fund* – assets held by the trustee consisting of all revenues received by the Authority and deficiency deposits, government grants, or other contributions. Withdrawals are made for payment to the Authority's other funds for authorized operating expenses and, as of the first day of each month, transfers to the other funds subject to limitations.

*Operating Fund* – assets held by the Authority for the operation, maintenance, and repair of the system. The trustee transfers necessary funds from the Revenue Fund to meet the Operating Fund requirement.

*Bond Service Fund* – assets held by the trustee for payment of matured principal and interest on outstanding bonds plus principal and interest due on or before the following January 1. The trustee transfers necessary funds from the Revenue Fund to meet the Bond Service Fund requirement.

*Sinking Fund* – assets held by the trustee to meet the Sinking Fund requirements on outstanding bonds, as required by the applicable bond resolutions.

*Bond Reserve Fund* – assets held by the trustee in an amount equal to maximum bond service, as defined by the applicable bond resolutions. As of December 31, 2023, and 2022, maximum bond service was \$4,381,944 and \$4,388,819, respectively.

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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*Renewal and Replacement Fund* – assets held to be used for major repairs, replacement, and renovation of the sewage system. Asset size is the greater of:

- (a) \$1,500,000; or
- (b) an amount as may be required by the Authority.

*Revenue Reserve Fund* – assets held to be used to meet deficiencies in the Operating Fund or other accounts. The assets in the Revenue Reserve Fund shall be the greater of:

- (a) \$3,500,000; or
- (b) 10% of the maximum bond service (excluding junior lien bonds); or
- (c) a larger amount as the Authority may require.

*General Fund* – assets held, which, if free and clear of any lien or pledge created by the Bond Resolution, may be spent for any lawful purpose.

*Construction Fund* – assets held subject to the restricted use from which they were raised by debt or by grant. Monies are used to pay for capital additions and improvements to the system.

Since the activity of the Authority is financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the Authority, these funds are all combined into a single enterprise fund for GAAP presentation.

Balances previously mentioned for the funds and accounts, excluding the general fund, are reflected in restricted cash and cash equivalents for their related money market portions and restricted investments on the statements of net position.

**I. Property, Plant, and Equipment**

Property, plant, and equipment are stated at cost and include direct construction costs, other expenditures related to construction, and certain professional and administrative costs. System construction costs are charged to construction in progress until such time as each segment of the system is completed and put into operation.

Depreciation is determined on a straight-line basis for all plant and equipment. Present policy is to begin depreciation in the first month of the year following purchase or transfer from construction in progress.

Depreciation is provided over the following estimated lives:

<u>Description</u>	<u>Estimated Life (Years)</u>
Lab equipment	7
Site improvements	20
Buildings and structures	40
Computers	3
Process electrical	15
Pipe (process), mechanical and electrical	20
Plant control system	7
Interceptors	40
Furniture	15
Vehicles	5
Preoperating costs and capitalized interest	20



**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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Construction in progress includes costs incurred for various additions, improvements, and modifications to existing capital assets during the year for which the project was incomplete at year-end. Depreciation is not provided until the project is completed and placed in service.

The Authority assesses capital assets for impairment whenever events or changes in circumstances indicate that the service utility of the capital asset has both significantly and unexpectedly declined. For the years ended December 31, 2023, and 2022, management has determined that there was no impairment of capital assets.

**J. Capitalized Interest**

During the years ended December 31, 2023, and 2022, the Authority incurred \$1,103,252 and \$1,407,955, respectively, of net interest expense. No interest has been capitalized to construction projects during the years ended December 31, 2023, and 2022.

**K. Income Taxes**

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

**L. Debt Issue Costs**

Debt issue costs have been expensed in accordance with *Governmental Accounting Standards*.

**M. Budgetary Procedures**

The Authority follows these procedures in establishing the operating fund budget:

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

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

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

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

Operating expense appropriations lapse at the close of the fiscal year to the extent that they have not been expended. The level at which expenditures cannot exceed the budget is at the total budget level.

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

**N. Deferred Inflows/Outflows**

GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, establishes standards for reporting deferred outflows of resources, deferred inflows of resources, and net position. Deferred outflows of resources represent a consumption of net position that applies to a future period(s) and will not be recognized as an outflow of resources (expense/expenditure) until then. Deferred inflows of resources represent an acquisition of net position that applies to a future period(s) and will not be recognized as an inflow of resources (revenue) until then. The Authority's deferred outflows and deferred inflows are a result of its participation in the pension plan (see Note 11) and OPEB plans (see Note 10).

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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**O. Reclassifications**

Certain line items in prior year financial statements were reclassified to conform to the current year presentation. Reclassifications had no effect on prior year's change in net position or net position.

**P. Subsequent Events**

Management has evaluated events occurring after December 31, 2023, for possible adjustment to or disclosure in the financial statements through October 23, 2024, the date on which the financial statements were available to be issued.

**2. CASH AND CASH EQUIVALENTS AND INVESTMENTS**

The Authority's investment practices are governed by New Jersey State Statute 40A:5-15.

**Deposits**

New Jersey statutes permit the deposit of public funds in institutions located in New Jersey, that are insured by the Federal Deposit Insurance Corporation ("FDIC"), or by any other agency of the United States that insures deposits or the State of New Jersey Cash Management Fund. NJSA 17:9-42 requires New Jersey governmental units to deposit public funds only in public depositories located in New Jersey, where the funds are protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). New Jersey statutes require public depositories to maintain collateral for deposit of public funds that exceed insurance limits based on specific criteria outlined in the statutes.

**Investments**

New Jersey statutes establish the following securities as eligible for the investment of Authority funds:

- (a) Bonds or other obligations of the United States or obligations guaranteed by the United States.
- (b) Government Money Market Mutual Funds.
- (c) Any obligation that a federal agency or a federal instrumentality has issued in accordance with an Act of Congress, which security has a maturity date not greater than 397 days from the date of purchase, provided that such obligation bears a fixed rate of interest not dependent on any index or other external factor.
- (d) Bonds or other obligations of the local unit, or bonds or other obligations of school districts of which the local unit is a part or within which the school district is located.
- (e) Bonds or other obligations, having a maturity date not more than 397 days from the date of purchase, approved by the Division of Investment of the Department of the Treasury for investment by local units.
- (f) Local government investment pools.
- (g) Deposits with the State of New Jersey Cash Management Fund established pursuant to Section 1 of P.L. 1977, C. 281 (C.52:18A-90.4).
- (h) Agreements for the repurchase of fully collateralized securities.

Repurchase agreements (15.1(a)(8)) must comply with the following conditions:

- (a) The underlying securities are permitted investments, pursuant to the list contained in (B) above;
- (b) The custody of the collateral is transferred to a third party. This means the bank must contract with a trusted third party to hold the collateral to ensure it is not pledged against any other investments;
- (c) The maturity of the agreement is not more than 30 days;
- (d) The underlying securities are purchased through a GUDPA bank; and

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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- (e) A master repurchase agreement providing for the custody and security of collateral is executed.

Local Government Investment Pools ("LGIP") (15.1(e)(2)) are subject to the following requirements:

- (a) It is managed in accordance with the Securities and Exchange Commission's government money market rules (2a7); and
- (b) It is rated in the highest category by a nationally recognized statistical rating organization.
- (c) Have their portfolio limited to U.S. government securities as defined in (2a7) and repurchase agreements that are collateralized by such U.S. government securities.

Every local unit must have a Cash Management Plan ("CM Plan"); the CM Plan is subject to audit as part of the Authority's annual audit. In addition, when the CM Plan permits investments for more than one year, the investment maturity must approximate the prospective use of funds. This primarily relates to U.S. securities and local bond issue purchases. The law also requires that cash management plans provide for the Chief Financial Officer to give the governing body a monthly report that summarizes:

- (a) All investments made or redeemed over the past month;
- (b) Each organization holding local unit funds;
- (c) The amount of securities purchased and sold, class or type of securities purchased, book value, earned income, fees incurred, and market value of all investments as of the report date; and
- (d) Other information that may be required by the governing body.

During the year, the Authority had none of its idle funds invested in repurchase agreements collateralized by eligible securities. At the close of the year, no such investments were held by the Authority.

**Interest Rate Risk**

Interest rate risk is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates. The Authority will minimize interest rate risk by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. By investing operating funds primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy the Authority will also minimize interest rate risk. The Authority's formal investment policy states the portfolio shall remain sufficiently liquid to meet all operating costs which may be reasonably anticipated. Portfolios are structured so that securities mature concurrent with cash needs to meet anticipated demands (static liquidity). The portfolio should consist largely of securities with active secondary or resale markets (dynamic liquidity). A portion of the portfolio may be placed in money market mutual funds or local government investment pools which offer same-day liquidity for short-term funds.

**Credit Risk**

Credit risk is the risk that an issuer or other counter party to an investment will not fulfill its obligation. The standard of prudence to be used by the Authority shall be the "prudent person" standard which states:

Investments shall be made with judgment and care, under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the probable safety of their capital as well as the possible income to be derived.

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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The above standard is established as the standard for professional responsibility and shall be applied in the context of managing the Authority's overall portfolio. At December 31, 2023 and 2022, the Authority's investments representing greater than 5% of their portfolio were U.S. treasury notes, which totaled \$29,927,466 and \$34,464,685, respectively.

**Custodial Credit Risk**

Custodial credit risk is the risk that a government will not be able to cover deposits if the depository financial institution fails or will not be able to recover collateral securities that are in the possession of an outside party. It is the policy of the Authority to require that demand and time deposits that exceed the FDIC or other federal insurable limits be secured by some form of collateral to protect public deposits in a single situation if it were to default due to poor management or economic factors. As of December 31, 2023, and 2022, the Authority's bank deposits were fully insured or collateralized.

The carrying amount of the Authority's cash and cash equivalents as of December 31, 2023, and 2022 was \$21,005,586 and \$25,062,918, respectively, and the bank balances were \$26,212,818 and \$27,307,847, respectively. Of the bank balance, \$500,000 was covered by federal depository insurance each year, \$24,401,694 and \$22,923,470, respectively, were covered by a collateral pool maintained by the banks as required by New Jersey statutes, and \$1,311,124 and \$3,884,377, respectively, were invested in Government Money Market Mutual Funds.

**Fair Value Measurements**

The Authority uses a fair value hierarchy established by GAAP that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurement) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are:

*Level 1* - Valuation is based upon quoted prices for identical assets.

*Level 2* - Valuation is based upon quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and inputs other than quoted prices that are observable instruments in the market.

*Level 3* - Valuation is generated from model-based techniques that use significant unobservable inputs.

The Authority's investments, stated at fair value, as of December 31, 2023, and 2022 are as follows:

	<u>2023</u>	<u>2022</u>	<u>Hierarchy</u>
Unrestricted			
Obligations guaranteed by the			
United States of America	\$ 20,810,365	\$ 20,352,922	Level 2
U.S. Treasury notes	<u>23,937,209</u>	<u>26,416,589</u>	Level 2
	<u>44,747,574</u>	<u>46,769,511</u>	
Restricted			
Obligations guaranteed by the			
United States of America	7,625,969	6,565,653	Level 2
U.S. Treasury notes	<u>14,895,046</u>	<u>11,200,549</u>	Level 2
	<u>22,521,015</u>	<u>17,766,202</u>	
	<u>\$ 67,268,589</u>	<u>\$ 64,535,713</u>	

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

All investments are valued based on quoted market prices and are held by the Authority's agent in the Authority's name.

The Authority's investments mature as follows:

	<u>2023</u>	<u>2022</u>
< 1 year	\$ 11,890,694	\$ 5,985,507
1-5 years	19,589,683	25,525,824
> 5 years	<u>35,788,212</u>	<u>33,024,382</u>
	<u>\$ 67,268,589</u>	<u>\$ 64,535,713</u>

At December 31, 2023 and 2022, \$44,747,574 and \$46,769,511, respectively, of the investments belonged to the General Fund and are unrestricted, and \$22,521,015 and \$17,766,202, respectively, are restricted investments held in the reserve.

**3. CAPITAL ASSETS**

Capital asset activity for the years ended December 31, 2023, and 2022 was as follows:

	<u>Balance 1/1/2023</u>	<u>Additions</u>	<u>Retirements/ Reclassifications</u>	<u>Balance 12/31/2023</u>
Capital assets not being depreciated				
Land	\$ 9,025,863	\$ -	\$ -	\$ 9,025,863
Construction in progress	<u>30,026,067</u>	<u>26,119,871</u>	<u>(8,446,669)</u>	<u>47,699,269</u>
Total capital assets not being depreciated	<u>39,051,930</u>	<u>26,119,871</u>	<u>(8,446,669)</u>	<u>56,725,132</u>
Capital assets being depreciated				
Site improvements	10,151,358	-	-	10,151,358
Building and building improvements	281,249,979	4,052,367	(365,610)	284,936,736
Machinery and equipment	523,298,997	4,394,302	(531,863)	527,161,436
Preoperating costs	<u>110,374,853</u>	<u>-</u>	<u>-</u>	<u>110,374,853</u>
Totals at historical cost	925,075,187	8,446,669	(897,473)	932,624,383
Less: Accumulated depreciation	<u>(705,890,131)</u>	<u>(16,064,181)</u>	<u>548,712</u>	<u>(721,405,600)</u>
Total capital assets being depreciated				
net of accumulated depreciation	<u>219,185,056</u>	<u>(7,617,512)</u>	<u>(348,761)</u>	<u>211,218,783</u>
Net capital assets	<u>\$ 258,236,986</u>	<u>\$ 18,502,359</u>	<u>\$ (8,795,430)</u>	<u>\$ 267,943,915</u>

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

	Balance 1/1/2022	Additions	Retirements/ Reclassifications	Balance 12/31/2022
Capital assets not being depreciated				
Land	\$ 9,025,863	\$ -	\$ -	\$ 9,025,863
Construction in progress	27,600,874	10,317,154	(7,891,961)	30,026,067
Total capital assets not being depreciated	36,626,737	10,317,154	(7,891,961)	39,051,930
Capital assets being depreciated				
Site improvements	9,067,411	1,083,947	-	10,151,358
Building and building improvements	279,489,832	1,760,147	-	281,249,979
Machinery and equipment	519,754,250	5,047,866	(1,503,119)	523,298,997
Preoperating costs	110,374,853	-	-	110,374,853
Totals at historical cost	918,686,346	7,891,960	(1,503,119)	925,075,187
Less: Accumulated depreciation	(689,393,707)	(17,663,860)	1,167,436	(705,890,131)
Total capital assets being depreciated				
net of accumulated depreciation	229,292,639	(9,771,900)	(335,683)	219,185,056
Net capital assets	\$ 265,919,376	\$ 545,254	\$ (8,227,644)	\$ 258,236,986

**4. ACCRUED SICK AND VACATION BENEFITS**

The Authority allows employees to accumulate unused benefits as follows:

*Sick Leave* – Sick leave for permanent employees accumulates at the rate of one day per month. Unused sick leave may be bought back for those days accumulated in excess of 45 days, but under the provisions of Chapter 3, P.L. 2010, employees hired on or after May 21, 2010, are not entitled to supplemental compensation for sick leave before retirement and are therefore not entitled to "buy back" their sick leave. Upon retirement, an employee is entitled to receive only half of the accumulated days, up to 45 days and 100% of days accumulated over 45 days.

*Vacations* – Vacation benefits for permanent employees accumulate based on length of continuous employment. Vacation days may accrue up to a maximum of twenty-four (24) months' worth of vacation, but under the provisions of Chapter 3, P.L. 2010, any employee hired on or after May 21, 2010, may accrue up to a maximum of twelve (12) months' worth of vacation unless the Authority requests an employee to forgo vacation time due to work-related emergencies.

At December 31, 2023 and 2022, \$1,340,391 and \$1,371,038, respectively, of unpaid sick and vacation pay are accrued as compensated absences payable. For the purpose of establishing the accrued liability, the Authority recognizes the full value of current accumulations calculated in accordance with the policies enumerated above. GASB Statement No. 16 provides the authoritative source of GAAP for recognition and reporting of the accrued liability for compensated absences and provides alternatives for the purpose of calculating the accrued liability for sick leave. Under the termination payment method, the accrual should be made only to the extent that it is probable that the benefits will result in termination payments. Under this method, the current accrued value of earned benefits would be discounted based on the past experience of the Authority in making termination payments to employees upon separation from service. Under the vesting method, the accrual should be based on the value of accumulated benefits at the balance sheet date for employees who currently are eligible to receive termination payments for these benefits, as well as the accumulated benefits of employees who are expected to become eligible in the future to receive such payments.

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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The Authority has followed the provisions of GASB Statement No. 16 in the calculation of the accrued liability for compensated absences at December 31, 2023, and 2022. Management has analyzed past experience utilizing the termination payment method and has determined that no discount is warranted on the value of sick pay.

**5. NEW JERSEY INFRASTRUCTURE BANK LOANS**

The Authority has received several loans from the State of New Jersey Infrastructure Bank ("NJIB") under the Wastewater Treatment Trust Program/Environmental Infrastructure Trust Program ("NJIB Trust") for improvements to the Authority's wastewater system. The NJIB Trust has issued bonds for loans to various entities. The loan is on the reimbursement basis whereby the Authority receives loan payments upon submission of a reimbursement voucher to the trust fund. Interest and an administrative fee are charged on the trust loan, and interest is credited to the Authority's account on funds not yet received. The funds on hand at the NJIB Trust for loans committed to the Authority are drawn down subject to the approval of the NJIB Trust. The NJIB Trust loans have interest rates ranging from 2.0% to 5.0% and mature in various increments through 2041.

Under the Wastewater Treatment Fund Program/Environmental Infrastructure Fund Program ("NJIB Fund"), the State of New Jersey extended several noninterest-bearing loans. When a project is completed, the final expenditures report is submitted to the NJIB and the loan is converted to permanent financing. If the total project cost is less than the loan amount, the State of New Jersey will make an adjustment to the final loan payment and reduce the liability accordingly. In addition, the NJIB Fund provides earnings credits by which earnings on investments in all bond funds are distributed to borrowers as credits toward debt service payments. These credits are recognized as a liability in the year issued and amortized as they are charged against future debt service payments.

During the year ended December 31, 2021, the Authority received grant funding and loans from The New Jersey Energy Resilience Bank ("ERB"). The ERB was created to minimize the impact of future major power outages, increase energy resiliency, and support the development of distributed energy resources and critical facilities throughout the state that will enable it to remain operational during future outages.

As of December 31, 2023, and 2022, there were no loan funds receivable from the NJIB Trust, NJIB Fund, and ERB.

As of December 31, 2023, and 2022, net loan premiums related to the NJIB loans in the amount of \$4,128,540 are being amortized using the bonds outstanding method which approximates the effective interest method. Net accumulated amortization as of December 31, 2023, and 2022 is \$3,360,145 and \$3,233,889, respectively. The annual amortization is recorded against interest expense. The unamortized balance of the net loan premiums of \$768,395 and \$894,651, respectively, has been offset against the long-term portion of loans payable at December 31, 2023 and 2022.

The NJIB Trust, NJIB Fund loans, and ERB loans are subordinate to the revenue bonds issued under the Bond Resolution of the Authority. In the event of any insolvency or bankruptcy proceedings, holders of the revenue bonds shall be entitled to receive payment in full of all payments due before the holders of outstanding authority subordinate bonds are entitled to receive any payment from the gross revenues (as defined in the General Bond Resolution).

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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NJIB and ERB loans outstanding at December 31, 2023 are as follows:

<u>Issue</u>	<u>Trust</u>	<u>Fund</u>	<u>Total</u>
Series 2004	\$ 340,924	\$ 258,163	\$ 599,087
Series 2005	4,127,152	3,205,162	7,332,314
Series 2006	1,472,997	1,133,205	2,606,202
Series 2007	3,455,000	2,823,824	6,278,824
Series 2008	687,000	-	687,000
Series 2009	534,000	842,696	1,376,696
Series 2010A	327,000	591,076	918,076
Series 2010B	815,000	127,590	942,590
Series 2012	1,897,345	1,848,618	3,745,963
Series 2013	895,000	1,787,395	2,682,395
Series 2014	2,390,000	6,025,424	8,415,424
Series 2016	1,105,000	2,182,447	3,287,447
Series 2017	1,535,000	3,703,502	5,238,502
Series 2020	480,000	1,394,002	1,874,002
Series 2021	1,345,000	4,114,398	5,459,398
Series 2022	3,195,000	3,144,605	6,339,605
	<u>\$ 24,601,418</u>	<u>\$ 33,182,107</u>	<u>57,783,525</u>
	Future savings credits		1,239,506
	Unamortized net premium - loans		768,395
	NJIB construction loans not yet converted to		
	permanent financing		15,206,376
	ERB loans payable		2,695,638
	Less loans payable, due within one year		<u>(10,857,948)</u>
	Long-term portion of loans payable, net		<u>\$ 66,835,492</u>

**6. REVENUE BONDS PAYABLE**

In December 2006, the Authority issued Series 2006 refunding bonds in the amount of \$79,360,000. The bonds mature on January 1, 2026, and bear interest at 5.25% per annum. As of December 31, 2023, and 2022, bond premiums in the amount of \$7,242,091 are being amortized using the bonds outstanding method which approximates the effective interest method. Net accumulated amortization as of December 31, 2023, and 2022 is \$7,015,934 and \$6,871,310, respectively. The unamortized balance of \$226,157 and \$370,781, respectively, has been offset against the long-term portion of bonds payable at December 31, 2023 and 2022.

**Refunding Series 2006**

The 2006 Bonds are not subject to redemption prior to their respective stated maturity dates.



**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

**7. DEBT SERVICE ON BONDS AND LOANS**

The following summarizes net activity in long-term liabilities for the years ended December 31, 2023, and 2022:

	Balance 1/1/2023	Increases	Decreases	Non-Cash Project Credits/ Deobligations	Balance 12/31/2023	Amount Due Within One Year
Revenue bonds	\$ 15,805,000	\$ -	\$ (3,655,000)	\$ -	\$ 12,150,000	\$ 3,845,000
Revenue bond premiums, net	370,781	-	(144,624)	-	226,157	-
Total revenue bonds	16,175,781	-	(3,799,624)	-	12,376,157	3,845,000
NJIB loans	68,643,664		(10,860,139)	-	57,783,525	10,857,948
NJIB future savings credits	1,626,760	-	(387,254)	-	1,239,506	-
Unamortized net premium - loans	894,651		(126,256)	-	768,395	-
NJIB construction loans not yet converted to permanent financing	-	15,206,376		-	15,206,376	-
ERB loans payable	2,572,683	122,955	-	-	2,695,638	-
Total loans payable	73,737,758	15,329,331	(11,373,649)	-	77,693,440	10,857,948
Net pension liability	35,998,575	-	(1,538,324)	-	34,460,251	-
Net OPEB liability - SHBP	62,923,669	10,165,166	(5,313,000)	-	67,775,835	-
Total OPEB liability - Medicare Part B	13,516,544	1,583,054	(281,902)	-	14,817,696	-
Total net OPEB liability	76,440,213	11,748,220	(5,594,902)	-	82,593,531	-
Total long-term debt	\$ 202,352,327	\$ 27,077,551	\$ (22,306,499)	\$ -	\$ 207,123,379	\$ 14,702,948

**Ocean County Utilities Authority**  
**Notes to Financial Statements**  
**December 31, 2023 and 2022**

	Balance 1/1/2022	Increases	Decreases	Non-Cash Project Credits/ Deobligations	Balance 12/31/2022	Amount Due Within One Year
Revenue bonds	\$ 19,275,000	\$ -	\$ (3,470,000)	\$ -	\$ 15,805,000	\$ 3,655,000
Revenue bond premiums, net	547,159	-	(176,378)	-	370,781	-
Total revenue bonds	19,822,159	-	(3,646,378)	-	16,175,781	3,655,000
NJIB loans	73,345,008	6,740,772	(11,442,116)	-	68,643,664	10,860,139
NJIB future savings credits	1,986,060	-	(359,300)	-	1,626,760	-
Unamortized net premium - loans	809,156	228,006	(142,511)	-	894,651	-
NJIB construction loans not yet converted to permanent financing	4,705,449	346,810	(5,052,259)	-	-	-
ERB loans payable	2,572,683	-	-	-	2,572,683	-
Total loans payable	83,418,356	7,315,588	(16,996,186)	-	73,737,758	10,860,139
Net pension liability	27,793,084	8,205,491	-	-	35,998,575	-
Net OPEB liability - SHBP	68,896,323	7,053,101	(13,025,755)	-	62,923,669	-
Total OPEB liability - Medicare Part B	17,336,456	2,041,433	(5,861,345)	-	13,516,544	-
Total net OPEB liability	86,232,779	9,094,534	(18,887,100)	-	76,440,213	-
Total long-term debt	\$ 217,266,378	\$ 24,615,613	\$ (39,529,664)	\$ -	\$ 202,352,327	\$ 14,515,139

Debt service requirements on outstanding bonds and loans during the next five years and thereafter are as follows:

Year	Principal	Interest	Total
2024	\$ 14,702,948	\$ 1,508,514	\$ 16,211,462
2025	14,228,496	1,060,689	15,289,185
2026	10,501,678	623,600	11,125,278
2027	5,104,964	390,051	5,495,015
2028	3,373,415	305,303	3,678,718
2029-2033	14,287,928	981,816	15,269,744
2034-2038	5,703,822	343,025	6,046,847
2039-2041	2,030,274	56,619	2,086,893
	<u>\$ 69,933,525</u>	<u>\$ 5,269,617</u>	<u>\$ 75,203,142</u>

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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The Authority has additional outstanding loan principals of \$2,695,638 due in future years for ERB loans and \$15,206,376 for NJIB loans and draws on projects still in process. Repayment schedules for these loans have not been finalized.

**8. DEFERRED COMPENSATION PROGRAM**

The Authority offers its employees a Deferred Compensation Plan created in accordance with Internal Revenue Code Section 457. The Deferred Compensation Plan, available to all Authority employees, permits them to defer a portion of their salary until future years.

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 Deferred Compensation Plan's participants and beneficiaries are not subject to the claims of the Authority's general creditors. As such, the Deferred Compensation Plan amounts as of December 31, 2023, and 2022 are not reflected on the Authority's statements of net position.

**9. STATE HEALTH BENEFITS PROGRAM**

The Authority is enrolled in the State Health Benefits Program ("SHBP"). Premiums paid into the SHBP provide health and dental insurance benefits to full-time employees and commissioners. Employees may elect to enroll eligible dependents for coverage. Employees who are receiving SHBP health benefits through another employer are entitled to waive their coverage and receive 25% of the premium to which they were eligible or \$5,000, whichever is less. In addition to the SHBP, the Authority establishes a medical expense bank of \$750 per year for blue collar, white collar, and exempt employees.

**10. POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS**

**State Health Benefits Local Government Retired Employees Plan**

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

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**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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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.

**Contributions and Funding Policy**

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.

The funding policy for the OPEB plan is on a pay-as-you-go basis, where the Authority is billed monthly by the Plan. The Plan received employer and employee contributions as follows:

	<u>2023</u>	<u>2022</u>
Employer contributions (fiscal year)	\$ 2,378,753	\$ 1,975,533
Salary basis for contributions	\$ 18,039,966	\$ 17,826,620
Percent of base wages	13.19%	11.08%

**Proportionate Share of OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023. The Authority's proportion of the net OPEB liability is based on the ratio of the plan members of an individual employer to the total members of the Plan during the measurement period July 1, 2022 through June 30, 2023. At December 31, 2023 and 2022, the Authority's proportionate share and net OPEB liability was as follows:

	<u>2023</u>	<u>2022</u>
Authority net OPEB liability	\$ 67,775,835	\$ 62,923,669
Authority's proportion	0.451642000%	0.389630001%

OPEB expense, net is composed of the following at December 31:

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Proportionate share of allocable plan OPEB benefit	\$ (2,185,444)	\$ 588,169
Net amortization of deferral amounts from changes in proportion	<u>2,437,167</u>	<u>734,695</u>
Total employer OPEB expense excluding that attributable to employer-paid member contributions	<u>\$ 251,723</u>	<u>\$ 1,322,864</u>

At December 31, 2023, and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB as follows:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 8,779,514	\$ 19,158,059	\$ 8,397,424	\$ 21,474,635
Differences between expected and actual experience	3,125,472	18,405,702	3,249,445	11,663,374
Net difference between projected and actual earnings on OPEB plan investments	-	11,183	16,565	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	18,466,008	2,007,984	8,542,394	3,079,700
Authority contributions subsequent to the measurement date	<u>1,289,174</u>	<u>-</u>	<u>1,114,568</u>	<u>-</u>
	<u>\$ 31,660,168</u>	<u>\$ 39,582,928</u>	<u>\$ 21,320,396</u>	<u>\$ 36,217,709</u>

\$1,289,174 and \$1,114,568 reported as deferred outflows of resources related to OPEB resulting from Authority contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the years ended December 31, 2023, and 2022, respectively. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB as of December 31, 2023, will be recognized in OPEB expense as follows:

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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**Years Ended December 31:**

	<b><u>OPEB Expense</u></b>
2024	\$ (2,759,324)
2025	(2,260,060)
2026	(1,222,654)
2027	(573,137)
2028	(1,156,902)
Thereafter	(1,239,857)
	<b><u>\$ (9,211,934)</u></b>

**Actuarial Assumptions**

The total OPEB liability for the June 30, 2023 and 2022 measurement date was determined by an actuarial valuation as of July 1, 2022 and 2021, which was rolled forward to June 30, 2023 and 2022.

This actuarial valuation used the following actuarial assumptions applied to all periods in the measurement:

	<b><u>2023</u></b>	<b><u>2022</u></b>
Salary increases for all future years	2.75% - 6.55%	2.75% - 6.55%

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

For June 30, 2023 and June 30, 2022, the following assumptions were used:

Pre-retirement healthy mortality rates were based on the PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using the MP-2021 scale. Post-retirement health mortality rates were based on the PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using MP-2021 scale. Disabled retiree mortality was based on the PUB-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using the MP-2021 scale.

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

**Discount Rate**

The discount rate used to measure the total OPEB liability at June 30, 2023 and 2022 was 3.65% and 3.54%, respectively. 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.

**Healthcare Trend Assumptions**

For pre-Medicare medical benefits, the trend rate is initially 6.50% and decreases to a 4.5% long-term trend rate after nine years. For post-65 medical benefits PPO, the trend is increasing to 14.8% in fiscal year 2026 and decreases to 4.5% in fiscal year 2033. For HMO, the trend is increasing to 17.4% in fiscal year 2026 and decreases to 4.50% in fiscal year 2033. For prescription drug benefits, the initial trend rate is 9.5% and decreases to a 4.50% long-term trend rate after seven years. For the Medicare Part B reimbursement, the trend rate is 5.00%.

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate**

The following presents the Authority's proportionate share of the net OPEB liability measured as of December 31, 2023 and 2022, calculated using the discount rate as disclosed above as well as what the net OPEB liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<b>2023</b>		
	<b>At 1% decrease (2.65%)</b>	<b>At current discount rate (3.65%)</b>	<b>At 1% increase (4.65%)</b>
Net OPEB liability	<u>\$17,382,355,978</u>	<u>\$15,006,539,477</u>	<u>\$13,095,561,553</u>
Authority's proportionate share of the net OPEB liability	<u>\$ 78,506,020</u>	<u>\$ 67,775,835</u>	<u>\$ 59,145,056</u>
	<b>2022</b>		
	<b>At 1% decrease (2.54%)</b>	<b>At current discount rate (3.54%)</b>	<b>At 1% increase (4.54%)</b>
Net OPEB liability	<u>\$18,720,632,230</u>	<u>\$16,149,595,478</u>	<u>\$14,080,955,857</u>
Authority's proportionate share of the net OPEB liability	<u>\$ 72,941,200</u>	<u>\$ 62,923,669</u>	<u>\$ 54,863,628</u>

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

The following presents the Authority's proportionate share of the net OPEB liability measured as of December 31, 2023 and 2022, calculated using the healthcare cost trend rate as disclosed above as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is one percentage point lower or one percentage point higher than the current rate:

	<b>2023</b>		
	<b>At 1% decrease</b>	<b>Healthcare cost trend rate</b>	<b>At 1% increase</b>
Net OPEB liability	<u>\$12,753,792,805</u>	<u>\$15,006,539,477</u>	<u>\$17,890,743,651</u>
Authority's proportionate share of the net OPEB liability	<u>\$ 57,601,485</u>	<u>\$ 67,775,835</u>	<u>\$ 80,802,112</u>
	<b>2022</b>		
	<b>At 1 % decrease</b>	<b>Healthcare cost trend rate</b>	<b>At 1% increase</b>
Net OPEB liability	<u>\$13,700,188,049</u>	<u>\$16,149,595,478</u>	<u>\$19,286,596,671</u>
Authority's proportionate share of the net OPEB liability	<u>\$ 53,380,043</u>	<u>\$ 62,923,669</u>	<u>\$ 75,146,367</u>

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Division financial report which can be found at the following link: [www.state.nj.us/treasury/pensions/financial-reports.shtml](http://www.state.nj.us/treasury/pensions/financial-reports.shtml).

**Medicare Part B Reimbursement Plan**

In addition to the OPEB plan, the Authority established Medicare Part B Reimbursement Plan (the "Part B Plan"), a single-employer defined benefit OPEB plan that is not administered through a trust. The Part B Plan reimburses the monthly Medicare Part B premium for eligible retirees and their spouses to assist in paying for medical coverage. The reimbursement starts when an eligible retiree (or spouse) begins paying Medicare Part B premiums. The reimbursement lasts for the life of the retiree. Surviving spouses continue to receive Medicare Part B reimbursement for life. To receive benefits under this plan, an employee must either retire on disability pension or retire with 25 years of service. The service must be in one or more State or locally administered retirement systems.

At December 31, 2023 and 2022, the following employees were covered by the benefit terms:

	<u>2023</u>	<u>2022</u>
Retirees and beneficiaries currently receiving benefits	100	88
Active plan members	<u>265</u>	<u>265</u>
	<u>365</u>	<u>353</u>

**Contributions and Funding Policy**

Employees are not required to contribute to the Plan. The Plan is entirely funded by the Authority on a pay-as-you-go basis. For the years ended December 31, 2023 and 2022, the Authority paid \$281,902 and \$254,979 to eligible retirees, respectively.

**Total OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Medicare Part B Reimbursement Plan**

The Authority's total OPEB liability, measured as of December 31, 2023 and 2022 was \$14,817,696 and \$13,516,544, respectively. The total OPEB liability was determined by an actuarial valuation as of January 1, 2023 and December 31, 2022. For 2023, the Plan's liability was rolled forward to the measurement date of December 31, 2023. The methods, assumptions, participant data, and all plan revisions are as detailed in the fiscal year 2022 GASB 75 actuarial valuation, except for the discount rate. The discount rate was updated from 4.05% to 3.77% based on the Fidelity 20-Year Municipal General Obligation AA Bond (Municipal GO AA) index as of December 31, 2023, as required by GASB 75. The actuarial valuation used the following actuarial assumptions, applied to all periods in the measurement:



**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Election rate	100.00%	100.00%
Discount rate	3.77%	4.05%
Medical trend rate	4.00%	4.00%
Salary increases	2.75% - 6.55%	2.75% - 6.55%

100% of eligible participants, including employees who are currently waiving medical coverage, are assumed to receive the Medicare Part B reimbursement upon retirement. The discount rate is based on the Fidelity 20-year General Obligation (GO) AA Bond index rate as of December 31, 2023 and the 20-year Municipal GO AA bond index rate as of December 31, 2022, respectively. The medical trend rate for the Medicare Part B premium is assumed to increase 4.0% annually. This is approximately equal to the observed annual increase in Medicare Part B premium over the last 15 years. Mortality rates were based on 2018 mortality projection scale MP-2021 for the December 31, 2023 and December 31, 2022 measurement dates.

The following table shows the changes in the total OPEB liability for the years ended December 31:

	<u>2023</u>	<u>2022</u>
Balance at beginning of year	\$ 13,516,544	\$ 17,336,456
Changes for the year		
Service cost	300,561	510,857
Interest	541,964	316,895
Experience losses	12,444	1,213,681
Changes in assumptions	728,085	(5,606,366)
Benefits payments	(281,902)	(254,979)
Balance at end of year	<u>\$ 14,817,696</u>	<u>\$ 13,516,544</u>

For the years ended December 31, 2023, and 2022, the Authority recognized OPEB expense of \$865,454 and \$758,114, respectively. At December 31, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB Medicare Part B Reimbursement Plan from the following sources:

	<u>2023</u>		<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 1,949,990	\$ 4,617,039	\$ 1,723,919	\$ 5,498,220
Differences between expected and actual experience	1,668,564	-	2,058,216	-
	<u>\$ 3,618,554</u>	<u>\$ 4,617,039</u>	<u>\$ 3,782,135</u>	<u>\$ 5,498,220</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB Medicare Part B Reimbursement Plan will be recognized in the expense for the years ending December 31 as follows:

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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	<u>OPEB Expense</u>
2024	\$ 22,929
2025	22,929
2026	151,815
2027	(375,683)
2028	(456,519)
Thereafter	(363,956)
	<u>\$ (998,485)</u>

**Sensitivity of Total OPEB Liability to Changes in the Discount Rate Related to Medicare Part B Reimbursement Plan**

The following presents the Authority's total OPEB liability measured as of December 31, 2023, and 2022, calculated using the discount rate as well as if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>2023</u>		
	<u>At 1% decrease (2.77%)</u>	<u>At current discount rate (3.77%)</u>	<u>At 1% increase (4.77%)</u>
Total OPEB liability	<u>\$ 17,873,224</u>	<u>\$ 14,817,696</u>	<u>\$ 12,429,439</u>

	<u>2022</u>		
	<u>At 1% decrease (3.05%)</u>	<u>At current discount rate (4.05%)</u>	<u>At 1% increase (5.05%)</u>
Total OPEB liability	<u>\$ 16,289,474</u>	<u>\$ 13,516,544</u>	<u>\$ 11,347,264</u>

**Sensitivity of Total OPEB Liability to Changes in Medical Trend Rate Related to Medicare Part B Reimbursement Plan**

The following presents the Authority's total OPEB liability measured as of December 31, 2023, and 2022, calculated using the medical trend rate as disclosed above as well as if it were calculated using the medical trend rate that is one percentage point lower or one percentage point higher than the current rate:

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

	<b>2023</b>		
	<b>At 1% decrease (3.00%)</b>	<b>Medical trend rate (4.00%)</b>	<b>At 1% increase (5.00%)</b>
Total OPEB liability	<u>\$ 12,131,163</u>	<u>\$ 14,817,696</u>	<u>\$ 18,388,052</u>

	<b>2022</b>		
	<b>At 1% decrease (3.00%)</b>	<b>Medical trend rate (4.00%)</b>	<b>At 1% increase (5.00%)</b>
Total OPEB liability	<u>\$ 11,188,849</u>	<u>\$ 13,516,544</u>	<u>\$ 16,583,765</u>

**OPEB Summary**

For the years ended December 31, 2023, and 2022, aggregate data for the Authority's two OPEB plans is summarized by the following table.

	<b>2023</b>		
	<b>State of NJ</b>	<b>Medicare Part B</b>	<b>Total</b>
Net OPEB liability	\$ 67,775,835	\$ 14,817,696	\$ 82,593,531
Deferred outflow of resources	31,660,168	3,618,554	35,278,722
Deferred inflows of resources	39,582,928	4,617,039	44,199,967
OPEB expense	251,723	865,454	1,117,177

	<b>2022</b>		
	<b>State of NJ</b>	<b>Medicare Part B</b>	<b>Total</b>
Net OPEB liability	\$ 62,923,669	\$ 13,516,544	\$ 76,440,213
Deferred outflow of resources	21,320,396	3,782,135	25,102,531
Deferred inflows of resources	36,217,709	5,498,220	41,715,929
OPEB expense	1,322,864	758,114	2,080,978

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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**11. PENSION PLAN**

Employees of the Authority that are eligible participate in the State of New Jersey Public Employees' Retirement System ("PERS"). PERS is a cost-sharing multiple-employer defined benefit pension plan administered by the Division. For additional information about PERS, please refer to the Division's annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

The vesting and benefit provisions are set by NJSA 43:15A. PERS provides retirement, death, and disability benefits. All benefits vest after 10 years of service, except for medical benefits, which vest after 25 years of service or under the disability provisions of PERS. The following represents the membership tiers for PERS:

<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 before age 62 and 25 or more years of service credit, 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.

**Employer and Employee 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. The local employer's contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers were credited with the full payment, and any such amounts were not to be included in their unfunded liability. The unfunded liability is being paid by the employer in level annual payments over a period of 15 years, which began with the payments due in the fiscal year ended June 30, 2012 and are adjusted by the rate of return on the actuarial value of assets.

During the years ended December 31, 2023, and 2022, the PERS received employer and employee contributions as follows:

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Employer contributions	\$ 3,179,776	\$ 3,008,071
Employee contributions	\$ 1,353,000	\$ 1,336,999
Salary basis for contributions	\$ 18,039,966	\$ 17,826,620
Percent of base wages	7.50%	7.50%

**Summary of Significant Accounting Policies**

For purposes of measuring the net pension liability, deferred outflows of resources, and deferred inflows of resources related to pensions and pension expense, information about the fiduciary net position of the PERS and contributions to/deductions from PERS fiduciary net position have been determined on the same basis as they are reported by PERS. For this purpose, 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.

Although the Division administers one cost-sharing multiple-employer plan, separate (sub) actuarial valuations are prepared to determine the actuarially determined contribution rate by group. Following this method, the measurement of the collective net pension liability, deferred outflows of resources, deferred inflows of resources, and pension expense are determined separately for each individual employer of the State and local groups of the plan.

**Proportionate Share of Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

The net pension liability was measured as of June 30, 2023, and 2022, and the total pension liability to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 and 2021. In accordance with GASB Statement No. 68, the measurement date shall not be earlier than one year from the statement of net position date; therefore, the Authority has elected to utilize June 30, 2023 and 2022 as the measurement dates, respectively.

The Authority's proportion of the net pension liability is based on the ratio of the contributions as an individual employer to total contributions to the Local Group in the PERS during the years ended June 30, 2023 and 2022.

At December 31, the Authority's proportionate share and net pension liability was as follows:

	<u>2023</u>	<u>2022</u>
Authority net pension liability	\$ 34,460,251	\$ 35,998,575
Authority's proportion	0.237913292%	0.238537387%

Total pension expense is comprised of the following at December 31:

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Proportionate share of allocable plan pension expense	\$ (347,343)	\$ (2,607,042)
Pension expense related to specific liabilities of individual employers	16,472	
Net amortization of deferral amounts from changes in proportion	<u>(104,350)</u>	<u>87,249</u>
Total employer pension expense excluding that attributable to employer-paid member contributions	<u>\$ (435,221)</u>	<u>\$ (2,519,793)</u>

At December 31, 2023 and 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS as follows:

	<u>2023</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 75,702	\$ 2,088,439
Differences between expected and actual experience	329,484	140,862
Net difference between projected and actual earnings on pension plan investments	158,694	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>512,644</u>	<u>1,196,747</u>
	<u>\$ 1,076,524</u>	<u>\$ 3,426,048</u>

	<u>2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes of assumptions	\$ 111,535	\$ 5,390,412
Differences between expected and actual experience	259,821	229,125
Net difference between projected and actual earnings on pension plan investments	1,489,948	-
Changes in proportion and differences between Authority contributions and proportionate share of contributions	<u>1,017,007</u>	<u>1,701,442</u>
	<u>\$ 2,878,311</u>	<u>\$ 7,320,979</u>

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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Amounts reported as deferred outflows of resources and deferred inflows of resources (excluding employer specific amounts) related to pensions will be recognized in pension expense for the years ending December 31 as follows:

	<b>Deferred Outflows (Inflows), Net</b>
2024	\$ (2,566,714)
2025	(1,432,641)
2026	2,002,020
2027	(358,283)
2028	6,094
	<u>\$ (2,349,524)</u>

**Special Funding Situation**

Under *N.J.S.A. 43:15A-15*, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislations which legally obligate the State, are Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001. The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability to report in the financial statements of the local participating employers related to this legislation. At December 31, 2023 and 2022, the State's proportionate share of the PERS expense, associated with the Authority, calculated by the plan as of the June 30, 2023 and 2022 measurement date was \$107,469 and \$75,742, respectively.

**Actuarial Assumptions**

The collective total pension liability for the June 30, 2023 and 2022 measurement dates was determined by an actuarial valuation as of July 1, 2022 and 2021, respectively, which was rolled forward to June 30, 2023 and 2022, respectively. This actuarial valuation uses the following actuarial assumptions:

	<u><b>2023</b></u>	<u><b>2022</b></u>
Inflation rate	2.75% - 3.25%	2.75%
Salary increases	2.75 - 6.55%	2.75 - 6.55%
	based on years of service	based on years of service
Investment rate of return	7.00%	7.00%

For June 30, 2023, and 2022, the following assumptions were used:

Preretirement 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

**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

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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, 2022 and 2021 valuations were based on the results of actuarial experience studies for the period from July 1, 2018 to June 30, 2021.

**Long-Term Expected Rate of Return**

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	6.21%
Cash equivalents	2.00%	3.31%
U.S. Treasuries	4.00%	3.31%
Investment grade credit	7.00%	5.19%
High yield	4.50%	6.97%
Private credit	8.00%	9.20%
Real assets	3.00%	8.40%
Real estate	8.00%	8.58%
U.S. equity	28.00%	8.98%
Non-U.S. developed markets equity	12.75%	9.22%
Emerging markets equity	5.50%	11.13%
Private equity	13.00%	12.50%
International Small Cap Equity	1.25%	9.22%

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:



**Ocean County Utilities Authority**  
**Notes to Financial Statements (continued)**  
**December 31, 2023 and 2022**

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Risk mitigation strategies	3.00%	4.91%
Cash equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Investment grade credit	7.00%	3.38%
High yield	4.00%	4.95%
Private credit	8.00%	8.10%
Real assets	3.00%	7.60%
Real estate	8.00%	11.19%
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 equity	13.00%	11.80%

**Discount Rate**

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023, and 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 will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers for both years ended June 30, 2023, and 2022.

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

The following presents the collective net pension liability of the participating employers as of June 30, 2023, and 2022, calculated using the discount rate as disclosed above, as well as what the collective net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	<u>2023</u>		
	<u>At 1% decrease (6.00%)</u>	<u>At current discount rate (7.00%)</u>	<u>At 1% increase (8.00%)</u>
Authority's proportionate share of the net pension liability	\$ <u>44,859,915</u>	\$ <u>34,460,251</u>	\$ <u>25,608,762</u>

**Ocean County Utilities Authority**  
**Notes to Financial Statements**  
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	<b>2022</b>		
	<b>At 1% decrease (6.00%)</b>	<b>At current discount rate (7.00%)</b>	<b>At 1% increase (8.00%)</b>
Authority's proportionate share of the net pension liability	\$ 46,247,624	\$ 35,998,575	\$ 27,276,222

**Pension Plan Fiduciary Net Position**

Detailed information about the pension plan's fiduciary net position is available in the separately issued State of New Jersey Division of Pensions and Benefits financial report which can be found at the following link: [www.nj.gov/treasury/pensions/financial-reports.shtml](http://www.nj.gov/treasury/pensions/financial-reports.shtml).

**12. NET DEFICIT**

At December 31, 2023 and 2022, the Authority had an unrestricted net deficit of \$61,376,517 and \$63,606,555, respectively. The reason for the deficit is the recognition of the Authority's proportionate share of the net pension and OPEB liabilities and related deferred inflows and outflows of resources for financial reporting purposes. The recognition of the Authority's proportionate share of the net pension and OPEB liabilities (net of deferred inflows and outflows of resources) resulted in a reduction of the Authority's net position of \$128,324,551 and \$133,494,854 as of December 31, 2023 and 2022, respectively.

**13. RISK MANAGEMENT**

The Authority is exposed to various risks of loss related to torts, theft of, damage to, and destruction of assets, error and omission, injuries to employees, and natural disaster. The Authority has purchased insurance to mitigate these risks. Settled claims have not exceeded this coverage in any of the past three years.

**14. COMMITMENTS AND CONTINGENCIES**

**Commitments**

The Authority has committed design and construction contracts outstanding at December 31 as follows:

	<b>2023</b>	<b>2022</b>
Construction	\$ 28,256,181	\$ 41,937,815
Engineering	2,178,311	2,531,350
	<u>\$ 30,434,492</u>	<u>\$ 44,469,165</u>

**Litigation**

The Authority may be the subject of, or a party to, various pending or threatened legal actions. The Authority believes that any ultimate liability arising from these legal actions should not have a material effect on its financial position or operations.



# **OCEAN COUNTY UTILITIES AUTHORITY**

HELPING TO PRESERVE THE WATER RESOURCES OF OCEAN AND SOUTHERN MONMOUTH COUNTIES...

## **REQUIRED SUPPLEMENTARY INFORMATION**

**Ocean County Utilities Authority**  
**Schedule of the Authority's Proportionate Share of the Net Pension Liability –**  
**Public Employees' Retirement System (PERS)**  
**Years Ended December 31, 2023 through 2014**

**Schedule 1**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Authority's proportion (percentage) of the collective net pension liability	0.237913292%	0.238537387%	0.234610105%	0.243145867%	0.246643739%	0.241560950%	0.239161189%	0.232062938%	0.235468898%	0.225414305%
Authority's proportionate share (amount) of the collective net pension liability	\$ 34,460,251	\$ 35,998,575	\$ 27,793,084	\$ 39,962,522	\$ 44,750,626	\$ 47,562,147	\$ 55,672,902	\$ 68,730,386	\$ 52,858,049	\$ 42,203,723
Authority's covered-employee payroll	\$ 18,039,966	\$ 17,826,620	\$ 17,366,931	\$ 17,328,403	\$ 17,490,869	\$ 17,503,041	\$ 16,779,714	\$ 16,369,807	\$ 15,879,556	\$ 16,023,337
Authority's proportionate share (amount) of the collective net pension liability as a percentage of its covered-employee payroll	191.0%	201.9%	160.0%	230.6%	255.9%	271.7%	331.8%	419.9%	332.9%	263.4%
Plan fiduciary net position as a percentage of the total collective pension liability (local only)	65.23%	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%
<b>Notes to Schedule</b>										
<b>Benefit changes</b>										
None										
<b>Changes of assumptions</b>										
The discount rate changed as follows as of June 30:	7.00%	7.00%	7.00%	7.00%	6.28%	5.66%	5.00%	3.98%	4.90%	5.39%

**Ocean County Utilities Authority**  
**Schedule of the Authority's Contribution – Public Employees' Retirement System (PERS)**  
**Years Ended December 31, 2023 through 2014**

**Schedule 2**

	2023	2022	2021	2020	2019	2018	2017	2016	2015	2014
Contractually required contribution	\$ 3,179,776	\$ 3,008,071	\$ 2,747,557	\$ 2,680,809	\$ 2,415,819	\$ 2,402,751	\$ 2,215,573	\$ 2,061,614	\$ 2,024,401	\$ 1,858,283
Contributions in relation to the contractually required contribution	(3,179,776)	(3,008,071)	(2,747,557)	(2,680,809)	(2,415,819)	(2,402,751)	(2,215,573)	(2,061,614)	(2,024,401)	(1,858,283)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Percent of base wages	7.50%	7.50%	7.50%	7.50%	7.50%	7.34 - 7.50%	7.20 - 7.34%	7.06 - 7.20%	6.92 - 7.06%	6.78 - 6.92%
Authority's covered-employee payroll	\$ 18,039,966	\$ 17,826,620	\$ 17,366,931	\$ 17,328,403	\$ 17,490,869	\$ 17,503,041	\$ 16,779,714	\$ 16,369,807	\$ 15,879,556	\$ 16,023,337
Contributions as a percentage of Authority's covered-employee payroll	17.63%	16.87%	15.82%	15.47%	13.81%	13.73%	13.20%	12.59%	12.75%	11.60%

# Ocean County Utilities Authority

# Schedule 3

## Schedule of the Authority's Proportionate Share of the Net OPEB Liability – State Health Benefits Local Government Retired Employees Plan (SHBP) Years Ended December 31, 2023 through 2018

	2023	2022	2021	2020	2019	2018
Authority's proportion (percentage) of the collective net OPEB liability	0.451642000%	0.389630001%	0.382762002%	0.375241001%	0.341585997%	0.357270002%
Authority's proportionate share (amount) of the collective net OPEB liability	<u>\$ 67,775,835</u>	<u>\$ 62,923,669</u>	<u>\$ 68,896,323</u>	<u>\$ 67,343,050</u>	<u>\$ 46,271,482</u>	<u>\$ 55,972,127</u>
Authority's covered-employee payroll	<u>\$ 18,039,966</u>	<u>\$ 17,826,620</u>	<u>\$ 17,366,931</u>	<u>\$ 17,328,403</u>	<u>\$ 17,490,869</u>	<u>\$ 17,503,041</u>
Authority's proportionate share (amount) of the collective net OPEB liability as a percentage of its covered-employee payroll	375.7%	353.0%	396.7%	388.6%	264.5%	319.8%
Plan fiduciary net position (deficit) as a percentage of the total collective OPEB liability	(0.79%)	(0.36%)	0.28%	0.91%	1.98%	1.97%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

### Notes to Schedule

#### Benefit changes

None

#### Changes of assumptions

The discount rate changed as follows as of June 30:	3.65%	3.54%	2.16%	2.21%	3.50%	3.87%
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**Ocean County Utilities Authority**  
**Schedule of the Authority's OPEB Contribution –**  
**State Health Benefits Local Government Retired Employees Plan (SHBP)**  
**Years Ended December 31, 2023 through 2018**

**Schedule 4**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Authority's required contribution	\$ 2,379,753	\$ 1,975,533	\$ 1,637,349	\$ 1,308,454	\$ 1,476,253	\$ 1,720,835
Authority's contributions in relation to required contribution	<u>(2,379,753)</u>	<u>(1,975,533)</u>	<u>(1,637,349)</u>	<u>(1,308,454)</u>	<u>(1,476,253)</u>	<u>(1,720,835)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	<u>\$ 18,039,966</u>	<u>\$ 17,826,620</u>	<u>\$ 17,366,931</u>	<u>\$ 17,328,403</u>	<u>\$ 17,490,869</u>	<u>\$ 17,503,041</u>
Contributions as a percentage of authority's covered-employee payroll	13.19%	11.08%	9.43%	7.55%	8.44%	9.83%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**Ocean County Utilities Authority**  
**Schedule of Changes in Total OPEB Liability –**  
**Medicare Part B Reimbursement Plan**  
**Years Ended December 31, 2023 through 2018**

**Schedule 5**

	2023	2022	2021	2020	2019	2018
Total OPEB Liability						
Service cost	\$ 300,561	\$ 510,857	\$ 465,940	\$ 428,067	\$ 285,150	\$ 319,199
Interest cost	541,964	316,895	321,837	387,822	409,201	378,296
Differences between actual and expected experience	12,444	1,213,681	6,470	1,735,341	-	-
Changes of assumptions	728,085	(5,606,366)	559,388	(360,459)	2,648,717	(1,031,128)
Benefit payments	(281,902)	(254,979)	(211,559)	(198,021)	(165,293)	(142,818)
Net change in total OPEB liability	1,301,152	(3,819,912)	1,142,076	1,992,750	3,177,775	(476,451)
Total OPEB liability - beginning	13,516,544	17,336,456	16,194,380	14,201,630	11,023,855	11,500,306
Total OPEB liability - ending	<u>\$ 14,817,696</u>	<u>\$ 13,516,544</u>	<u>\$ 17,336,456</u>	<u>\$ 16,194,380</u>	<u>\$ 14,201,630</u>	<u>\$ 11,023,855</u>
Covered-employee payroll	<u>\$ 18,039,966</u>	<u>\$ 17,826,620</u>	<u>\$ 17,366,931</u>	<u>\$ 17,328,403</u>	<u>\$ 17,490,869</u>	<u>\$ 17,503,041</u>
Total OPEB liability as a percentage of covered-employee payroll	82.14%	75.82%	99.82%	93.46%	81.19%	62.98%

Note: This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, this presentation will only include information for those years for which information is available.

**Notes to Schedule**

**Benefit changes**

None

**Changes of assumptions**

The discount rate changed as follows: 3.77% 4.05% 1.84% 2.00% 2.75% 3.74%





# **OCEAN COUNTY UTILITIES AUTHORITY**

HELPING TO PRESERVE THE WATER RESOURCES OF OCEAN AND SOUTHERN MONMOUTH COUNTIES...

## **SUPPLEMENTARY INFORMATION**

**Ocean County Utilities Authority**
**Schedule 6**
**Schedule of Revenues and Costs (Budgetary Basis)**
**Year Ended December 31, 2023 (with Summarized 2022 Actual Information)**

	<b>2023 Adopted Budget</b>	<b>2023 Modified Budget</b>	<b>2023 Actual</b>	<b>2022 Actual</b>
<b>Revenues</b>				
User fees	\$ 76,518,000	\$ 76,518,000	\$ 76,416,380	\$ 74,579,567
Other	380,000	380,000	483,799	378,922
Interest and investment income	2,000,000	2,000,000	2,526,455	1,835,570
Total revenues	<u>78,898,000</u>	<u>78,898,000</u>	<u>79,426,634</u>	<u>76,794,059</u>
<b>Costs of providing services</b>				
<b>Operations and maintenance</b>				
Salaries	16,420,000	16,013,000	15,306,390	14,949,554
Fringe benefits	8,417,000	8,342,000	8,227,838	7,263,809
Chemicals	3,590,000	5,199,000	5,011,761	3,249,354
Buildings and grounds	126,000	140,000	121,657	64,973
Fees	847,000	740,200	708,880	742,840
Fuel	580,000	503,000	424,763	560,645
General	203,000	222,100	209,580	179,005
Instrumentation	160,000	114,500	93,945	129,033
Laboratory equipment	90,000	123,000	86,258	88,594
Legal fees	1,000	1,000	-	-
Lines maintenance	77,000	51,000	22,503	48,924
Outside services	1,037,000	990,000	857,398	989,240
Personnel equipment	182,000	213,400	196,567	156,740
Supplies and consumables	2,723,000	2,829,800	2,718,962	2,520,013
Tools and safety equipment	194,000	182,000	151,347	170,476
Utilities	6,391,000	5,356,000	5,294,189	5,675,488
Vehicle maintenance	260,000	278,000	268,680	244,689
	<u>41,298,000</u>	<u>41,298,000</u>	<u>39,700,717</u>	<u>37,033,377</u>
<b>Fertilizer manufacturing division</b>				
Salaries	272,000	271,550	262,774	242,576
Fringe benefits	176,000	193,950	190,065	143,186
Chemicals	455,000	562,000	554,862	457,579
Buildings and grounds	10,000	10,000	9,508	8,291
Fees	17,000	15,000	13,027	11,546
Fuel oil	30,000	-	-	-
General	57,000	62,300	60,166	35,803
Instrumentation	5,000	6,339	6,338	18,916
Legal	3,000	1,000	833	6,664
Outside services	2,815,000	2,601,161	2,598,179	2,165,842
Personnel equipment	3,000	2,700	1,989	1,330
Supplies and consumables	170,000	261,000	250,358	203,153
Tools and safety equipment	25,000	26,500	26,426	23,595
Utilities	1,450,000	1,474,500	1,473,093	1,373,322
	<u>5,488,000</u>	<u>5,488,000</u>	<u>5,447,618</u>	<u>4,691,804</u>

See Independent Auditor's Report.

**Ocean County Utilities Authority**  
**Schedule of Revenues and Costs (Budgetary Basis)**  
**Year Ended December 31, 2023 (with Summarized 2022 Actual Information)**

**Schedule 6 (continued)**

	<b>2023</b>	<b>2023</b>	<b>2023</b>	<b>2022</b>
	<b>Adopted</b>	<b>Modified</b>	<b>Actual</b>	<b>Actual</b>
	<b>Budget</b>	<b>Budget</b>		
Engineering and construction				
Salaries	930,000	950,500	950,148	902,312
Fringe benefits	461,000	499,000	514,350	414,941
General	20,000	31,300	30,564	9,331
Legal fees	4,000	-	-	-
Outside services	94,000	33,500	33,500	34,839
Personnel equipment	5,000	3,000	2,748	3,270
Tools and equipment	5,000	1,700	923	-
	<u>1,519,000</u>	<u>1,519,000</u>	<u>1,532,234</u>	<u>1,364,693</u>
Total costs of providing services	<u>48,305,000</u>	<u>48,305,000</u>	<u>46,680,569</u>	<u>43,089,874</u>
General and administrative				
Salaries	2,170,000	2,190,800	2,185,736	2,115,515
Fringe benefits	3,923,000	3,907,500	3,789,881	3,144,261
General	266,000	274,600	223,814	211,421
Information systems	88,000	86,700	85,507	69,590
Insurance premiums	2,307,000	2,278,900	2,231,226	2,124,970
Legal fees	150,000	153,000	140,672	154,435
Outside services	1,177,000	1,188,500	1,055,684	1,197,179
Personnel equipment	2,000	2,000	1,059	1,942
Supplies and consumables	8,000	8,000	7,992	6,965
Telecommunications	112,000	113,000	112,289	109,294
Total general and administrative	<u>10,203,000</u>	<u>10,203,000</u>	<u>9,833,860</u>	<u>9,135,571</u>
Interest expense	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,103,252</u>	<u>1,407,955</u>
Other costs funded by revenues				
Principal maturity	15,259,000	15,259,000	14,515,139	14,756,761
Capital budget appropriation	962,000	962,000	4,524,814	6,027,898
Other reserves	<u>2,769,000</u>	<u>2,769,000</u>	<u>2,769,000</u>	<u>2,376,000</u>
Total costs funded by operating revenues	<u>18,990,000</u>	<u>18,990,000</u>	<u>21,808,953</u>	<u>23,160,659</u>
Budgetary revenues over expenses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 78,898,000</u>	<u>\$ 78,898,000</u>	<u>\$ 79,426,634</u>	<u>\$ 76,794,059</u>
			<b>2023</b>	<b>2022</b>
			<b>Actual</b>	<b>Actual</b>
Reconciliation of budgetary basis to change in net position GAAP basis				
Budgetary revenues over expenses			\$ --	\$ --
Adjustments to budgetary basis				
Depreciation expense			(16,064,181)	(17,663,860)
Principal Payment			14,515,139	14,756,761
Operating, Capital, and Other reserves			7,293,814	8,403,898
Pension Revenue - Special Funding			107,469	75,742
Grant revenue			204,863	-
Change in fair value of investments			702,797	(6,453,264)
Insurance recoveries			-	418,262
Gain (loss) on asset disposals			(320,241)	(332,573)
Pension benefit			3,523,999	5,452,122
OPEB contributions subsequent to measurement date			<u>1,364,229</u>	<u>(186,625)</u>
Total adjustments			<u>11,327,888</u>	<u>4,470,463</u>
Change in net position GAAP basis			<u>\$ 11,327,888</u>	<u>\$ 4,470,463</u>

See Independent Auditor's Report.

**Ocean County Utilities Authority**  
**Schedule of Wastewater Revenue Bonds Payable**  
**Year Ended December 31, 2023**

**Schedule 7**

<b>Issue</b>	<b>Date of Issue</b>	<b>Amount Issued</b>	<b>Interest Rate</b>	<b>Maturities</b>		<b>Balance December 31, 2023</b>
				<b>Date</b>	<b>Amount</b>	
Refunding series 2006:						
Serial bonds	12/05/06	\$ 79,360,000	5.250%	01/01/24	\$ 3,845,000	
			5.250%	01/01/25	4,045,000	
			5.250%	01/01/26	4,260,000	
						<u>\$ 12,150,000</u>

See Independent Auditor's Report.



# **OCEAN COUNTY UTILITIES AUTHORITY**

HELPING TO PRESERVE THE WATER RESOURCES OF OCEAN AND SOUTHERN MONMOUTH COUNTIES...

## **OTHER INFORMATION**

**Ocean County Utilities Authority  
Board of Commissioners  
December 31, 2023**

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**Schedule 8**

<u>Name</u>	<u>Title</u>
John C. Parker	Chairman
Alan W. Avery Jr.	Vice Chairman
F. Frank Sadeghi	Treasurer
Carol A. Scull	Secretary
Robert Toscan	Commissioner
Watson F. Pharo	Commissioner
Helen Fayad	Commissioner
Reverend Oscar L. Cradle	Commissioner
Samuel Ellenbogen	Commissioner
James A. Daly	Commissioner
Menashe Miller	Alternate
Carmen F. Amato, Jr.	Alternate

**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**

To the Board of Commissioners  
Ocean County Utilities Authority

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 the 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 Ocean County Utilities Authority (hereafter referred to as the "Authority"), a component unit of the County of Ocean, State of New Jersey, as of and for the year ended December 31, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated October 23, 2024.

**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. 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 were not identified.

**Report on Compliance and Other Matters**

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

**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*

October 23, 2024  
Lakewood, New Jersey





Certified Public Accountants + Advisors

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## **INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE NEW JERSEY OMB CIRCULAR 15-08**

To the Board of Commissioners  
Ocean County Utilities Authority

### **Report on Compliance for Each Major State Program**

#### **Opinion on Each Major State Program**

We have audited Ocean County Utilities Authority (hereafter referred to as the "Authority") a component unit of the County of Ocean, State of New Jersey, compliance with the types of compliance requirements identified as subject to audit in the *New Jersey State Aid/Grant Compliance Supplement* that could have a direct and material effect on each of the Authority's major state programs for the year ended December 31, 2023. The Authority's major state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended December 31, 2023.

#### **Basis for Opinion on Each Major State Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Our responsibilities under the standards of New Jersey OMB's Circular 15-08 are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major state program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.

#### **Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the Authority's state programs.

## **Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. 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 New Jersey OMB's Circular 15-08 will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major state program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and New Jersey OMB's Circular 15-08, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with New Jersey OMB's Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

## **Report on Internal Control over Compliance**

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

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the New Jersey OMB's Circular 15-08. Accordingly, this report is not suitable for any other purpose.

*HOLMAN FRENIA ALLISON, P.C.*

**HOLMAN FRENIA ALLISON, P.C.**  
*Certified Public Accountants*

October 23, 2024  
Lakewood, New Jersey

**Ocean County Utilities Authority  
Schedule of Expenditures of State Financial Assistance  
Year Ended December 31, 2023**

State Grantor/ Pass-Through Grantor/ Program Title	State Appropriation Number	Award Period		Current Fiscal Year Expenditures	Cumulative Total Expenditures	Passed-through to Subrecipients
		From	To			
<b>State of New Jersey, Infrastructure Bank:</b>						
New Jersey Environmental Infrastructure Trust Program						
New Jersey Infrastructure Bank Construction Loan *	S340 372-64	1/1/2023	12/31/2023	\$ 15,206,376	\$ 15,206,376	\$ -
<b>State of New Jersey, Economic Development Authority:</b>						
New Jersey Energy Resilience Bank Grant						
New Jersey Energy Resilience Bank Grant	PROD-00181277	1/1/2019	12/31/2023	\$ 204,863	\$ 4,491,390	\$ -
<b>Total state financial assistance</b>				<b>\$ 15,411,239</b>	<b>\$ 19,697,766</b>	<b>\$ -</b>

\* - Denotes major program

See Independent Auditor's Report.  
See accompanying Notes to Schedule of Expenditures of State Financial Assistance

**Ocean County Utilities Authority**  
**Notes to Expenditures of State Financial Assistance (continued)**  
**December 31, 2023 and 2022**

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**1. BASIS OF PRESENTATION**

The accompanying schedule of expenditures of state financial assistance present the activity of all state financial assistance programs of the Authority. The Authority is defined in Note 1 of the basic financial statements. The information in these schedules is presented in accordance with the requirements of New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All state awards received directly from state agencies, as well as state financial assistance passed through other government agencies is included on the schedule of expenditures of state financial assistance.

**2. SUMMARY OF SIGNIFICANT ESTIMATES**

The accompanying schedule of expenditures of state financial assistance are presented using the accrual basis of accounting. The information in the schedule is presented in accordance with the requirements of New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Wherein certain types of expenditures are not allowed or are limited as to reimbursement.

**3. SUB-RECIPIENTS**

The Authority provided no state financial assistance to sub-recipients for the year ended December 31, 2023.

**4. INDIRECT COSTS**

The Authority does not have negotiated indirect cost rate, nor has it elected to use the 10% de minimis indirect cost rate.

**5. RELATIONSHIP TO STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related state financial reports. See the Construction Loan as stated in Note 5.

**6. STATE LOANS OUTSTANDING**

As of December 31, 2023, the Authority is not the guarantor of any loans outstanding.

**Ocean County Utilities Authority  
Schedule of Findings and Questioned Costs  
Year Ended December 31, 2023**

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**Section I - Summary of Auditor's Results**

**Financial Statements:**

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weaknesses? ☐ yes ☒ none reported

Noncompliance material to financial statements noted? ☐ yes ☒ no

**State Financial Assistance:**

Type of auditor's report issued on compliance for major programs: Unmodified

Internal control over major programs:

Material weakness(es) identified? ☐ yes ☒ no

Significant deficiencies identified that are not considered to be material weakness(es)? ☐ yes ☒ none reported

Any audit findings disclosed that are required to be reported in accordance with New Jersey OMB's Circular 15-08? ☐ yes ☒ no

Dollar threshold used to distinguish between Type A and Type B programs: \$ 750,000

Auditee qualified as low-risk auditee? ☒ yes ☐ no

Identification of major state programs:

State:  
State of New Jersey Infrastructure Bank

**Section II – Financial Statement Findings**

There are no financial statement findings reported.

**Section III –State Financial Assistance Findings and Questioned Costs**

There are no state award findings or questioned costs reported.

**Ocean County Utilities Authority**  
**Schedule of Prior Year Findings and Questioned Costs**  
**Year Ended December 31, 2023**

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**Schedule of Prior Year Financial Statement Findings**

This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards*.

**Material Weaknesses**

None

**Comments and Recommendations**

None



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To the Board of Commissioners  
Ocean County Utilities Authority

We have audited the financial accounts and transactions of the Ocean County Utilities Authority (hereafter referred to as the "Authority"), a component unit of the County of Ocean, State of New Jersey for the year ended December 31, 2023. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

### GENERAL COMMENTS AND RECOMMENDATIONS

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

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

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.

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

In as much 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.

The examination of expenditures revealed individual payments, contracts or agreements in excess of \$17,500 "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 indicates that quotes were requested for all items that required them.

#### 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 partial payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.



## **Payroll**

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies. The results of the examination did not disclose any discrepancies.

## **Capital Assets**

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

## **Budget Adoption**

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. The Authority introduced its 2023 operating and capital budget on September 22, 2022, and formally adopted its operating and capital budget on December 22, 2022.

## **Current Year Findings**

There were no current year findings.

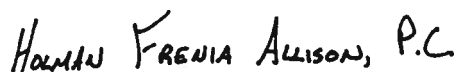
## **Follow-Up of Prior Years' Findings**

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

## **Acknowledgment**

We received the complete cooperation of all the Authority officials and employees, and we greatly appreciate the courtesies extended to the members of the audit team. During our audit, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

Should you have any questions concerning our comments, please call us.



**HOLMAN FRENIA ALLISON, P.C.**

*Certified Public Accountants*

October 23, 2024  
Lakewood, New Jersey