

**TOWNSHIP OF NEPTUNE
SEWERAGE AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY**

**ANNUAL FINANCIAL REPORT
YEARS ENDED DECEMBER 31, 2022 and 2021**

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY

**Board of Commissioners and Management
December 31, 2022**

Board of Commissioners

James W. Manning Jr.	Chairman
Harry Devine	Vice Chairman
Alonzo Wright	Treasurer
James Mowczan	Secretary
Linda Johnson	Assistant Secretary

Management

Tina M. Cunningham	Executive Director
Christopher Kelly	Superintendent

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
ANNUAL FINANCIAL REPORT**

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December 31, 2022 and 2021**

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PART I
REPORT OF AUDIT OF FINANCIAL STATEMENTS
AND
REQUIRED SUPPLEMENTARY INFORMATION

INDEPENDENT AUDITOR'S REPORT

Honorable Chairman and Members of
the Board of Commissioners
Township of Neptune Sewerage Authority
Township of Neptune, New Jersey
County of Monmouth

Opinion

We have audited the accompanying financial statements of the Township of Neptune Sewerage Authority of the County of Monmouth, New Jersey ("Authority"), a component unit of the Township of Neptune as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respect, the financial position of the Authority as of December 31, 2022 and 2021, and the changes in its financial position and cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed 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 the twelve months beyond the financial statement date, including 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 GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgement made by a reasonable user based on the financial statements.

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

- Exercise professional 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 judgement, 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 management's discussion and analysis, schedule of the Authority's proportionate share of the net pension liability - PERS, schedule of the Authority's contributions - PERS, schedule of the Authority's proportionate share of the net OPEB liability - State Health Benefits Local Government Retired Employees Plan and schedule of the Authority's OPEB contributions - State Health Benefits Local Government Retired Employees Plan as identified in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's financial statements. The accompanying supplementary information, such as the comparative schedule of operating revenues and costs funded by operating revenues (budgetary basis) and the accompanying other information such as the roster of officials and general comments and recommendations 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 supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 3, 2025, 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 the Authority's internal control over financial reporting and compliance.

Fallon & Company LLP

FALLON & COMPANY LLP
Hazlet, New Jersey
February 3, 2025

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

Honorable Chairman and Members of
the Board of Commissioners
Township of Neptune Sewerage Authority
Township of Neptune, New Jersey
County of Monmouth

We have audited, in accordance with the 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, and the audit requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("Division"), the basic financial statements of the Township of Neptune Sewerage Authority, in the County of Monmouth, New Jersey ("Authority"), a component unit of the Township of Neptune as of and for the year ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 3, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) as a basis for designing the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Township of Neptune Sewerage 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 Authority'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 the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 Auditing Standards* and the audit requirements prescribed 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.

Fallon & Company LLP

FALLON & COMPANY LLP
Hazlet, New Jersey
February 3, 2025

MANAGEMENT DISCUSSION AND ANALYSIS

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
MANAGEMENT’S DISCUSSION AND ANALYSIS**

INTRODUCTION

Mission

The Township of Neptune Sewerage Authority (TNSA) was created to protect and preserve the vital ecology of its service area and that of adjoining areas. The Authority accomplishes this by effectively treating wastewater and recycling sage, sending clean water back into the Atlantic Ocean. TNSA efficiently meets or surpasses all mandated federal and state regulations and standards.

The Authority extends its mission beyond the geographical boundaries of its service area by affiliating with and participating in various organizations and activities dedicated to preserving the environment. By cooperating with many watershed groups and agencies operating within its Service Area, TNSA further demonstrates its commitment to environmental protection.

Responsibility and Controls

The Authority has prepared, and is responsible for, the financial statements and related information included in this report. A system of internal accounting controls is maintained to provide reasonable assurance that assets are safeguarded and the books and records reflect only authorized transactions. Limitations exist in any system of internal controls. However, recognizing that the cost of a system should not exceed its benefits, management believes its system of internal accounting controls maintains an appropriate cost/benefit relationship.

The Authority’s system of internal accounting controls is evaluated on an ongoing basis by the Authority’s financial staff. Independent external auditors also consider certain elements of the internal control system in order to determine their auditing procedures for the purpose of expressing an opinion on the financial statements.

Management believes that its policies and procedures provide guidance and reasonable assurance that the Authority’s operations are conducted in accordance with management’s intentions and to a high standard of business ethics.

In management’s opinion, the financial statements present fairly, in all material respects, the financial position, results of operations and cash flows of the Authority in conformity with accounting principles generally accepted in the United States of America. The unqualified opinion of our independent external auditors, Fallon & Company, LLP is included in this report.

Management's Discussion and Analysis (MD&A) provides an introduction to, and should be read with, the basic audited Financial Statements and supplementary information. It presents management's analysis of the Authority's financial condition and performance. Financial Statement data, key financial and operational indicators, the operating budget, bond resolutions and other management tools were used for this analysis.

Financial Highlights

- Total assets decreased \$435,727.
- Total liabilities decreased by \$1,039,358.
- Operating expenses increased \$748,425.
- Net position at year-end was \$27,740,087, an increase of \$603,631.

Overview of Annual Financial Report

The Financial Statements utilize full accrual accounting methods such as are applicable for similar business activities in the private sector. However, rate-regulated accounting principles applied to private utilities are not used by government utilities. The financial statements include a Statement of Net Position; a Statement of Revenues, Expenses, and Changes in Net Position, a Statement of Cash Flows; and Notes to the Financial Statements.

The Statement of Net Position presents the Authority's year-end financial position on a full accrual, historical cost basis. It provides information on Authority assets and liabilities, with the difference reported as net position. Over time, increases and decreases in net position are an indicator of whether the financial position of the Authority is improving or deteriorating.

The Statement of Revenues, Expenses, and Changes in Net Position presents the results of business activities for the fiscal year and information as to how the net position changed during the year. All changes in net position are reported as soon as the underlying event giving rise to change occurs, regardless of the timing of related cash flows.

The Statement of Cash Flows presents changes in cash and cash equivalents resulting from operational, financing, and investing activities. Receipts and disbursements are presented on a cash, not an accrual, basis.

The Notes to the Financial Statements present such required disclosures and information as are essential to fully understanding material data provided in the statements, including significant policies, balances, activities, risks, obligations, commitments, contingencies and subsequent events, if any.

Summary of Organization and Business

TNSA, a public body corporate and politic, was created pursuant to Chapter 138 of the Laws of 1946 of the State of New Jersey (the “Original Act”). It serves seven (7) municipal entities: Neptune Township, Ocean Grove, Bradley Beach, Avon-by-the-Sea, Neptune City, Tinton Falls and Wall Township. Each customer municipality must comply with the Authority’s Rules and Regulations, wherein uniform requirements for system users assure the Authority’s compliance with applicable federal and state laws.

The Authority owns and operates an 8.5 Million Gallons per Day (MGD) wastewater treatment system consisting of a secondary trickling filter treatment facility, with an aerated stabilization pond, and a biological aerated filtration plant that is used as a polishing point before discharging effluent a mile into the Atlantic Ocean via an Authority-owned outfall pipe. The system includes an elaborate series of trunk lines and force mains, plus one pump station (Laird Ave.) that handles the majority of the wastewater flow from customer municipalities.

TNSA has completed many upgrades to its treatment facility over the past ten years. Most notable are: 1) replacement of trickling filter media, from stone to cross flow plastic; 2) upgrading the aeration system and cleaning the aerated stabilization pond; and 3) installation of a “State of the Art” biological-filtration-oxygenated-reactor (BIOFOR) system.

In addition to these upgrades, in 2021 the Authority has made several mechanical equipment upgrades at the wastewater treatment facility. These upgrades included the purchase and installation of a new Franklin Miller Grinder and Fiber Optics.

TNSA’s treatment facility is divided into three complete sections called “trains”. Each train consists of a muffin monster (grinder), flow meter, grit chamber, primary clarifier, trickling filter (with media and distributor), secondary clarifier and a chlorine contact tank. After wastewater has flowed through a treatment train it is pumped from the chlorine contact tank up to the aerated stabilization pond before entering the BIOFOR system.

The BIOFOR system is the last treatment process the wastewater goes through before being discharged into the Atlantic Ocean. The BIOFOR treatment system employs a biological fixed-film technology, using proprietary media that acts as both a biological contactor and a filter, thereby eliminating the need for separate clarification. The primary advantages of the BIOFOR system, when compared to conventional activated sludge systems, are reduced space requirements, elimination of secondary clarifiers, and improved treatment of cold and diluted wastewaters, rapid startup and fully automated operation.

A five member board of Commissioners, appointed by Neptune Township, governs the Authority. An Executive Director, appointed by the Commissioners, administers the Authority. Including the Executive Director, TNSA has 18 full time employees and 1 part time administrative employee.

The Authority has no power to levy or to collect taxes. Operation and maintenance costs are funded from service fees and other charges. Acquisition and construction of capital assets are funded through Operating Revenues, the General Fund, Federal and State Grants, Sewer Revenue Bonds and New Jersey Environmental Infrastructure Trust Financing Program Loans.

Trends

In the early 1960s, the Township of Neptune constructed a wastewater treatment plant with a capacity of 2.5 million gallons per day to serve the western part of the Township. The plant employed the trickling filter process to provide “secondary treatment” according to then-current New Jersey treatment standards.

The Public Sanitary Sewerage Facilities Assistance Act of 1965 authorized municipal participation in federal grants-in-aid programs for wastewater treatment. In 1972, in furtherance of the State’s regionalization policy, the Township of Neptune Sewerage Authority (TNSA) was created to implement, build and operate pollution abatement facilities for Avon-by-the-Sea, Bradley Beach, Neptune City, Neptune Township (including Ocean Grove) and parts of Tinton Falls and Wall Township.

Under the Federal Water Pollution Control Act Amendments of 1972 (PL92-500), the United States Environmental Protection Agency (“USEPA”) provided substantial funding of wastewater treatment facilities, provided those facilities were designed according to USEPA national standards. TNSA’s plan called for the nucleus of the plant to be Neptune Township’s original 2.5 million gallon per day trickling filter plant, called “Train #1”. The Authority would add a parallel, interconnected, 2.5 million gallon per day “Train #2”, and a parallel, essentially separate, 3.5 million gallon per day “Train #3”.

Over time, as USEPA’s standards became more stringent, additional treatment procedures were required. An aerated effluent stabilization lagoon, to enhance the trickling filter process, added in 1976. The State of New Jersey and USEPA provided \$14.5 million of grants-in-aid to TNSA for construction.

In 1977, the State adopted the Water Pollution Control Act (N.J.S.A. 58:10A-1 et seq.) to address requirements of the Federal Clean Water Act of 1977 (PL 95-217). Under the New Jersey Act, wastewater treatment plants were required to obtain permits for the discharge of effluents to State waters. The permits would contain specific effluent limitations for each wastewater discharger based on so-called “conventional pollutants” (oxygen demand, suspended solids, coliforms, and certain physical/chemical parameters widely used at the time). The same pollutants had been the basis for both design and approval of the original TNSA treatment plant. Eventually, USEPA delegated permitting authority to the New Jersey Department of Environmental Protection (“NJDEP”) under the New Jersey Pollutant Discharge Elimination System (“NJPDES”).

The Clean Water Act emphasized toxic substances that had not been addressed by the USEPA national standards nor, therefore, by most 1970s plant designs. In 1986, NJDEP added a limit on effluent acute toxicity to TNSA's permit. Consequently, from January 1987 through December 1990, TNSA failed 56 percent of its quarterly toxicity tests, although maintaining a solid record of passing grades for conventional pollutants.

NJDEP did not cite TNSA for the failures because its plant had not been designed to handle toxicity. However, in 1994 and under 1991 amendments to NJ's Pollution Control Act (N.J.S.A. 58:10A-1 et seq.), NJDEP was compelled to initiate enforcement action. On June 26, 1995, TNSA accepted an Administrative Consent Order ("ACO") with NJDEP that temporarily set aside toxicity limitations in its permit while the Authority sought the causes of, and remedies to, the toxicity problem.

Events

TNSA embarked on a comprehensive program aimed at bringing the treatment facility to complete compliance with all NJDEP parameters. The comprehensive program included:

- Pilot studies (GAC/Activated Sludge/BIOFOR)
- Toxicity identification, evaluation and reduction studies
- Service area studies and surveys

As a result of many upgrades the Authority has effected the plant has passed the majority of its bioassay tests with a 100% result and no measurable trace of toxicity.

Financial Analysis

Financial Condition

The Authority's financial condition remained strong at year end with adequate liquid assets, a reasonable level of unrestricted net position, and reliable facilities and systems to meet demand. The Authority's financial condition, technical capabilities, and operating and modernization plans are secure.

	<u>2022</u>	<u>2021</u>
Total Current Assets	\$ 14,716,514	\$ 16,239,697
Plant, Property and Equipment, Net	<u>27,340,033</u>	<u>26,779,184</u>
Total Assets	42,056,547	43,018,881
Total Deferred Outflow of Resources	1,786,135	1,259,528
Total Current Liabilities (payable from unrestricted assets)	567,301	1,383,250
Total Current Liabilities (payable from restricted assets)	3,407,478	3,414,068
Total Non-Current Liabilities	<u>8,003,786</u>	<u>7,495,177</u>
Total Liabilities	11,978,565	12,292,495
Deferred Inflow of Resources		
Pension and OPEB deferrals	<u>4,124,030</u>	<u>4,849,458</u>
Total Net Position Invested in Capital Assets, Net of Related Debt	27,305,958	26,079,050
Total Restricted Net Position	-	1,472,800
Total Unrestricted Net Position	<u>434,129</u>	<u>(415,394)</u>
Total Net Position	<u>\$ 27,740,087</u>	<u>\$ 27,136,456</u>

Results of Operations

Operations and administrative functions were conducted as intended by, and within the budget established by, TNSA's Board of Commissioners:

	<u>2022</u>	<u>2021</u>
Total Operating Revenues	<u>\$ 6,728,225</u>	<u>\$ 6,730,222</u>
Operating Expenses	4,948,593	4,191,030
Depreciation	<u>1,192,752</u>	<u>1,201,890</u>
Total Operating Expenses	<u>6,141,345</u>	<u>5,392,920</u>
Operating Income	586,880	1,337,302
Nonoperating Revenues/(expenses):		
Interest Income	44,551	36,501
Interest Expense	(27,800)	(28,402)
Amortization expense	<u>-</u>	<u>(3,471)</u>
Total Nonoperating Revenues (expenses)	<u>16,751</u>	<u>4,628</u>
Net Gain Before Special Item	603,631	1,341,930
Special Item - Impairment of fixed assets	<u>-</u>	<u>(880,492)</u>
Net Gain	603,631	461,438
Net Position, January 1	<u>27,136,456</u>	<u>26,675,018</u>
Net Position, December 31	<u>\$ 27,740,087</u>	<u>\$ 27,136,456</u>

Statement of Cash Flows

Cash flow was adequate to meet operating, capital and debt requirements.

	<u>2022</u>	<u>2021</u>
Net Cash Flows from Operating Activities	\$ 1,365,918	\$ 2,054,136
Net Cash Used in Capital and Related Financing Activities	(2,472,783)	(2,282,194)
Net Cash Provided by Investing Activities	<u>44,551</u>	<u>36,689</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	(1,062,314)	(191,369)
Cash and Cash Equivalents, Beginning of Year	<u>15,076,724</u>	<u>15,268,093</u>
Cash and Cash Equivalents, End of Year	<u>\$ 14,014,410</u>	<u>\$ 15,076,724</u>

Rates, Billing and Collection Processes

The annual Service Charge to each of TNSA's seven customers is set by allocating the year's operating and debt service requirements among the customers, based on their actual prior-year inflows and capacity ownership, respectively.

Service Charges are certified to each customer not later than January 31st of each year and are due, in equal installments on and be made on or before the 1st day of April, July, October and January. Pursuant to the "Sewerage Authorities Law" (N.J.S.A. 40:14A), customers are assessed interest at the rate of one and one-half percent (1.5%) per month on any Service Charge installment, or portion thereof, unpaid beyond its due date.

Capital Improvement Program and Debt Administration

TNSA's 5-Year Capital Improvement Program ("Plan") was prepared in consultation with, and reviewed by, the Authority's engineer, commissioners, and staff and presented as directed by the Division of Local Government Services ("DLGS"), State of New Jersey. Funding the plan will not result in extraordinary increases in annual Service Charges to customers.

	<u>Est. Total Cost</u>	<u>Unreserved Retained Earnings</u>	<u>Renewal & Replacement Reserve</u>	<u>Debt Authorized</u>
Upgrades Control Panels	\$ 100,000	\$ 100,000		
Treatment Train Rehabilitation	750,000	750,000		
Roof Replacements	150,000	150,000		
Fleet Equipment	70,000	70,000		
Raw Sewage Emergency Pump 1	250,000	250,000		
Digester #1 Rehabilitation	400,000	400,000		
Treatment Train Rehabilitation No. 2	750,000	750,000		
Treatment Train Rehabilitation No. 1	750,000	750,000		
Roadway Improvements	500,000	500,000		
Outfall Pipe Rehabilitation	1,500,000			\$ 1,500,000
Digester No. 4 Rehabilitation	1,500,000			1,500,000
Collection System Evaluation	500,000	500,000		
Stabilization Pond Rehabilitation	1,000,000			1,000,000
Electrical Upgrades	<u>4,000,000</u>	<u> </u>	<u> </u>	<u>4,000,000</u>
Total	<u>\$ 12,220,000</u>	<u>\$ 4,220,000</u>	<u>\$ -</u>	<u>\$ 8,000,000</u>

Closing Comments

The Financial condition of the Township of Neptune Sewerage Authority is strong. Its facilities, staff, management, and its planning and funding options, are sufficient to assure TNSA's ability to meet its operating responsibilities well into the future.

FINANCIAL STATEMENTS

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31,**

	2022	2021
<u>ASSETS</u>		
Current Assets:		
Unrestricted Assets:		
Cash and cash equivalents	\$ 10,606,932	\$ 9,466,672
Customer accounts receivable	699,993	1,153,364
Prepaid expenses	2,111	9,609
Total Unrestricted Assets	11,309,036	10,629,645
Restricted Assets:		
Cash and cash equivalents	3,407,478	5,610,052
Total Restricted Assets	3,407,478	5,610,052
Total Current Assets	14,716,514	16,239,697
Deferred Outflow of Resources:		
Pension deferrals	208,387	166,899
OPEB deferrals	1,577,748	1,091,455
Unamortized deferred charges	-	1,174
Total Deferred Outflow of Resources	1,786,135	1,259,528
Plant, Property and Equipment, net	27,340,033	26,779,184
Total Assets	\$ 43,842,682	\$ 44,278,409

The accompanying notes are an integral part of this statement.

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF NET POSITION
DECEMBER 31,

	2022	2021
<u>LIABILITIES AND NET POSITION</u>		
Current Liabilities (payable from unrestricted assets):		
Accounts payable	\$ 520,687	\$ 626,508
Accrued liabilities	12,539	14,367
Retainage payable	34,075	34,075
Current portion of long-term debt	-	695,000
Accrued interest payable	-	13,300
Total Current Liabilities (payable from unrestricted assets)	567,301	1,383,250
Current Liabilities (payable from restricted assets):		
Security held for member municipalities	3,407,478	3,414,068
Total Current Liabilities (payable from restricted assets)	3,407,478	3,414,068
Non-Current Liabilities:		
Unrestricted Liabilities:		
Accrued employee benefits	509,053	514,643
Pension liability	2,783,089	2,200,418
Net OPEB obligation	4,711,644	4,774,982
Long-term debt (inclusive of premiums of \$5,134 2021)	-	5,134
Total Non-Current Liabilities	8,003,786	7,495,177
Deferred Inflow of Resources:		
Pension deferrals	924,775	2,082,871
OPEB deferrals	3,199,255	2,766,587
Total Deferred Inflow of Resources:	4,124,030	4,849,458
Total Liabilities	16,102,595	17,141,953
Net Position		
Invested in capital assets, net of related debt	27,305,958	26,079,050
Restricted Net Position:		
Bond service reserve	-	722,800
Renewal and replacement	-	750,000
Total Restricted Net Position	-	1,472,800
Unrestricted Net Position	434,129	(415,394)
Total Net Position	27,740,087	27,136,456
Total Liabilities and Net Position	\$ 43,842,682	\$ 44,278,409

The accompanying notes are an integral part of this statement.

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31,**

	2022	2021
Operating Revenues:		
Service charges of member municipalities	\$ 6,727,900	\$ 6,727,900
Miscellaneous income	325	2,322
Total Operating Revenues	6,728,225	6,730,222
Operating Expenses:		
Personnel costs and benefits	1,966,827	1,386,371
Administrative and general	295,465	334,092
Plant, system and maintenance	2,686,301	2,470,567
Depreciation	1,192,752	1,201,890
Total Operating Expenses	6,141,345	5,392,920
Operating Income	586,880	1,337,302
Non-Operating Revenue (Expenses):		
Interest income	44,551	36,501
Impairment of fixed assets	-	(880,492)
Interest expense	(27,800)	(28,402)
Amortization expense	-	(3,471)
Total Non-Operating Revenues (Expenses)	16,751	(875,864)
Net Income	603,631	461,438
Net Position, January 1	27,136,456	26,675,018
Net Position, December 31	\$ 27,740,087	\$ 27,136,456

The accompanying notes are an integral part of this statement.

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,

	2022	2021
Cash Flows from Operating Activities:		
Cash received from member municipalities	\$ 7,211,271	\$ 6,890,390
Cash paid to suppliers	(4,223,883)	(3,342,567)
Cash paid to employees	(1,621,795)	(1,496,009)
Other operating receipts	325	2,322
Net Cash Flows from Operating Activities	1,365,918	2,054,136
Cash Flows from Capital and Related Financing Activities:		
Acquisition of property, plant and equipment	(1,749,983)	(1,560,311)
Principal payments on bonds payable	(695,000)	(665,000)
Interest expense	(27,800)	(56,883)
Net Cash Provided (Used) in Capital and Related Financing Activities	(2,472,783)	(2,282,194)
Cash Flows from Investing Activities:		
Interest received on investments	44,551	36,689
Net Cash Provided by Investing Activities	44,551	36,689
Net Increase (Decrease) in Cash and Cash Equivalents	(1,062,314)	(191,369)
Cash and Cash Equivalents, Beginning of Year	15,076,724	15,268,093
Cash and Cash Equivalents, End of Year	\$ 14,014,410	\$ 15,076,724
Reconciliation to Balance Sheet:		
Unrestricted cash and cash equivalents	\$ 10,606,932	\$ 9,466,672
Restricted cash and cash equivalents	3,407,478	5,610,052
	\$ 14,014,410	\$ 15,076,724

The accompanying notes are an integral part of this statement.

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
COMPARATIVE STATEMENT OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31,**

	2022	2021
Reconciliation of Operating Income to Net Cash Flows from Operating Activities:		
Operating Income	\$ 586,880	\$ 1,337,302
Depreciation and Amortization	1,192,752	1,205,361
	1,779,632	2,542,663
Change in Assets and Liabilities:		
(Increase)/decrease in receivables	453,371	162,678
(Increase)/decrease in prepaids	(7,498)	314
Increase/(decrease) in accounts payable	(105,821)	133,123
Increase/(decrease) in accrued expenses and retainage	(13,300)	(315)
Increase/(decrease) in pension and OPEB	(733,876)	(731,647)
Increase/(decrease) in security held for member municipalities	(6,590)	(52,680)
	(413,714)	(488,527)
Net Cash Flows from Operating Activities	\$ 1,365,918	\$ 2,054,136

The accompanying notes are an integral part of this statement.

NOTES TO FINANCIAL STATEMENTS

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 ORGANIZATION

The Township of Neptune Sewerage Authority (“Authority”), a public body, corporate and political of the County of Monmouth, State of New Jersey, was organized and exists under the Sewerage Authority Law, constituting Chapter 138 of the Pamphlet Laws of 1946, of the State of New Jersey, and the acts amendatory thereof and supplemental thereof. The Authority was established in accordance with the provisions of the Act in order to own and operate a regional sewerage treatment system to serve the Townships of Neptune and Wall, Ocean Grove Sewerage Authority, and the Boroughs of Avon-by-the-Sea, Bradley Beach, Tinton Falls, and Neptune City. The Act authorized the Authority to issue its bonds and other obligations in an unlimited aggregate amount in order to accomplish its public purpose of promoting the relief of waters in or bordering the State of New Jersey from pollution by providing adequate sewerage treatment and disposal services to the Service Area.

The Authority provides sewerage treatment to its seven member municipalities in accordance with service agreements established with each municipality. The service agreements obligate each member to the Authority for their proportionate share of the Authority’s operating expenses, debt service and required reserve additions to the extent not met by other sources.

Reporting Entity

In accordance with Governmental Accounting Standards Board (“GASB”) Statement No. 61, *The Financial Reporting Entity Omnibus - An Amendment of GASB 14 and 34*, and GASB Statement No. 80, *Blending Requirements for Certain Component Units* the Authority’s basic financial statements include those of the Authority and any component units. Component units are legally separate organizations whose majority of officials are appointed by the primary government or the organization is fiscally dependent on the primary government and there is a potential for those organizations either to provide specific financial benefits to, or impose specific financial burdens on, the primary government.

An organization has a financial benefit or burden relationship with the primary government if any one of the following conditions exist:

1. The primary government (Authority) is legally entitled to or can otherwise access the organization's resources.
2. The primary government is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization.
3. The primary government is obligated in some manner for the debt of the organization.

Based on the application of the above criteria, this report includes all programs and activities operated by the Authority. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year.

Based on the application of the above criteria, the Authority is a component unit of the Township of Neptune. The Authority issues separate financial statements from the Township. However, if the Township presented its financial statements in accordance with GAAP, these financial statements would be included with the Township’s on a blended basis. There were no additional entities required to be included in the reporting entity under these criteria in the current fiscal year.

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 1 ORGANIZATION (continued)

A. Basis of Presentation and Accounting

The Authority's financial statements are presented on the full accrual basis in accordance with the accounting principles generally accepted in the United States of America.

All activities of the Authority are accounted for within a single proprietary (enterprise) fund.

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

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included on the balance sheet. Total Net Position (i.e., total assets net of total liabilities) are segregated into invested capital assets, net of related debt; restricted for capital activity; restricted for debt service; and unrestricted components.

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

B. Budgetary Accounting

Each year the Authority adopts a budget which is approved by the State of New Jersey, Department of Community Affairs, Division of Local Government Services. The budget may be amended by resolution of the Board of Commissioners of the Authority. The budgetary basis of accounting is utilized to determine the Authority has sufficient cash to operate and pay debt service. As such, certain items such as bond payments are included in budgetary expenses while depreciation is not included. A reconciliation from the budgetary basis to the statement of revenues, expenses and changes in net position is included in Schedule I of the Supplementary Information.

C. Cash, Cash Equivalents and Investments

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

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-42 requires government units to deposit public funds only in public depositories located in New Jersey, where the funds are secured in accordance with the Act.

Public funds are defined as the funds of any government unit. Public depositories include banks (both state and national banks), savings and loan institutions and savings banks, the deposits of which are federally insured. All public depositories pledge collateral, having a market value of five percent of the average daily balance of collected public funds, to secure the deposits of government units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories in the collateral pool, is available to pay the full amount of their deposits to the government units.

For the Statements of Cash Flows, the Authority combines the unrestricted cash with the restricted cash and cash equivalents. The Authority considers investments with maturities of three months or less at the time of purchase to be cash equivalents.

D. Property, Plant and Equipment

Property, plant and equipment are stated at cost. The cost of property, plant and equipment is depreciated over its estimated useful life, by the straight-line method. Major improvements to existing plant and equipment are capitalized. Repairs and maintenance that do not extend the economic life of plant and equipment are charged to expense as incurred. Upon the sale or retirement of property, plant and equipment, the cost and related accumulated depreciation is eliminated from the accounts and any related gain or loss is reflected in the Statement of Revenues, Expenses and Changes in Net Position.

System construction costs are charged to construction in progress until such time as given segments of the system are completed and placed in operation. The assets are then transferred to the appropriate property and plant account and depreciated on a straight-line basis over the asset's estimated useful life.

The estimated useful lives of the assets are:

Treatment Plant	75 years
Force Main and Ocean Outfall	75 years
BioFor Treatment Plant	40 years
Pumping Station	10-40 years
Equipment	5-15 years
Vehicles	5 years
Office Furniture	5 years

E. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make 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.

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Investment Income

Investment income on amounts held by the Authority as security for member municipalities is restricted and added to principal amounts for reinvestment. All other investment income earned is unrestricted and is utilized to defray the cost of operations and debt service.

G. Inventory of Supplies

Minimal inventories of replacement parts, chemicals and supplies are maintained by the Authority and are expensed at the time the individual items are purchased.

H. Income Taxes

The Authority is exempt from federal and state income taxes as it is a public body politic and corporate of the State of New Jersey.

I. Net Position

Net position comprises the various net earnings from operating and non-operating revenues, expenses and contributions of capital. Net position is classified in the following three components: net investment in capital assets, restricted, and unrestricted. Net invested in capital assets consists of all capital assets, net of accumulated depreciation and reduced by outstanding debt that is attributable to the acquisition, construction and improvement of those assets; debt related to unspent proceeds or other restricted cash and investments is excluded from the determination. Restricted includes resources with external restrictions. Unrestricted consists of all other resources not included in the above categories.

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS

A. Deposits

Cash and Cash Equivalents consist of the following at December 31:

	2022	2021	
Cash	\$ 115,223	\$ 78,692	
Money Market Funds	13,899,188	14,998,032	
	\$ 14,014,411	\$ 15,076,724	

As of December 31, 2022, the Authority's Cash and Cash Equivalents are insured or collateralized with securities held by the Authority or by its agent in the Authority's name.

The carrying amount of the Authority's cash and cash equivalents at December 31, 2022 was \$14,014,411 and the bank balance was \$14,062,321. Of the bank balance, \$376,914 was covered by

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021**

NOTE 3 CASH, CASH EQUIVALENTS, AND INVESTMENTS (continued)

A. Deposits (continued)

federal depository insurance, and the remaining \$13,649,188 was covered under the unit certificate of eligibility as required by New Jersey statutes (GUDPA).

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a failure of a financial institution or counterparty to a transaction, the Authority will not be able to recover the value of its investment. The Authority mitigates this risk by depositing or investing with public depositories protected from loss under the provisions of the Act.

B. Investments

The Authority had no investments at December 31, 2022 and 2021.

NOTE 4 PROPERTY, PLANT AND EQUIPMENT

Property, Plant and Equipment consisted of the following at December 31:

	Balance December 31, 2021	Additions	Transfers or Disposals	Balance December 31, 2022
Land	\$ 346,264			\$ 346,264
Plant and Improvements	55,537,165	\$ 1,010,975		56,548,139
Equipment and Vehicles	694,990	38,292		733,281
Construction in Progress	637,038	1,703,958	\$ 999,623	1,341,373
	<u>57,215,457</u>	<u>2,753,225</u>	<u>999,623</u>	<u>58,969,059</u>
Less: Accumulated Depreciation	<u>30,436,273</u>	<u>1,192,752</u>		<u>31,629,025</u>
Property, Plant and Equipment, Net	<u>\$ 26,779,184</u>	<u>\$ 1,560,473</u>	<u>\$ 999,623</u>	<u>\$ 27,340,034</u>

NOTE 5 DEFERRED CHARGES

Deferred Charges relate to the issuance costs, including legal, printing and financing costs, of the 2012 Sewer Revenue Bond Series. These charges are being amortized on the interest method over the life of the respective bonds. During 2012, the 2003A Sewer Revenue Bond Series was refunded and the deferred charges written off as part of the loss on bond refunding.

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 5 DEFERRED CHARGES (continued)

Deferred Charges consist of the following at December 31:

	2022	2021
Bond Issuance Costs	\$ -	\$ 4,645
Less: Accumulated Amortization	-	3,471
Net Deferred Charges	\$ -	\$ 1,174

NOTE 6 LONG-TERM DEBT

Long-Term Debt consisted of the following at December 31:

	2022	2021
2012 Series, Sewer Revenue Refunding Bonds	\$ -	\$ 695,000
Total Long-term Debt	-	695,000
Unamortized Bond Premium	-	5,134
Current Portion	-	(695,000)
Net Long-term Debt	\$ -	\$ 5,134

NOTE 6 SECURITY HELD FOR MEMBER MUNICIPALITIES

Service agreements with member municipalities provide that payments shall be at 102% of the member municipality's obligation for sewer treatment services. The additional 2% shall be deposited to the credit of the municipality in a Sewer Rent Reserve Account until deposits and interest earned in investment of such amounts equals the next two quarterly payments to become due from the member municipality.

Investment accounts have been established for each of the member municipalities as directed by the individual governing bodies.

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 7 COMPENSATED ABSENCES

Per the Authority's "Personnel Code", its employees are entitled to sick leave benefits and vacation time.

Sick Leave

Sick leave allowances are determined as follows:

After one year of employment, an employee will be allowed 15 days sick leave in each twelve-month period. Sick leave eligibility will be credited on the basis of one and one-quarter days for each month in which the employee is on the payroll.

Unused sick leave may be accumulated from year to year without a limit. An employee is entitled to use the accumulated sick leave with pay when needed.

Sick leave in excess of the accrued time may be granted at the discretion of the Authority when warranted by the employee's overall work record.

An employee who has used five days or less of sick time in a calendar year can elect to be compensated for up to five (5) of the remaining days and banking the remainder of the days in their accumulated sick time totals. The compensation for up to seven (7) unused days may be taken as a cash payment or as compensatory time off. If compensatory time off is chosen, this will be taken as straight time (i.e. 8 hours = 8 hours compensatory time off).

One half of the accumulated sick leave shall be paid upon retirement, permanent disability or death. Sick leave will not be granted as credit toward early retirement.

At December 31, 2022 and 2021, the computed contingent liability for accumulated sick leave compensation is \$387,994 and \$360,217 respectively. This is presented on the comparative balance sheet as an unrestricted noncurrent liability under to caption "Accrued Employee Benefits".

Vacation Time

It is the policy of the Authority that all employees be granted time away from work for the purpose of vacation. Each employee shall take advantage of the authorized vacation period for reasons of health, rest relaxation and pleasure; and therefore, extra compensation in lieu of vacation will not be allowed. The amount of time granted shall be determined by the employee's length of service. A vacation year shall run from the anniversary date of each employee's employment date. All vacation time earned in a given year must be used within the vacation year or be forfeited.

Employees who terminate their employment will receive vacation pay according to their accruals, provided the employee is in compliance with all requirements related to termination.

At December 31, 2022 and 2021, the computed contingent liability for accrued vacation time is \$148,026 and \$121,058, respectively. This is presented on the comparative balance sheet as an unrestricted current liability included with other accrued liabilities under the caption "Accrued Employee Benefits".

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 8 PENSION PLAN

Description of the System

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

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

Basis of Presentation

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

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

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 8 PENSION PLAN (continued)

Basis of Presentation (continued)

by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2022, the State's pension contribution was more than the actuarial determined amount.

The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2022, the Authority's contributions to the PERS were \$1,305,918.

Net Pension Liability and Pension Expense

At December 31, 2022 and 2021, the Authority's proportionate share of the PERS net pension liability is valued to be \$2,783,098 and \$3,402,393, respectively. The net pension liabilities were measured as of June 30, 2022 and 2021, respectively. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of June 30, 2021, to the measurement date of June 30, 2022. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021. The Authority's proportion measured as of June 30, 2022, was 0.0184416450%, which was a decrease of 0.000132771% from its proportion measured as of June 30, 2021 of 0.0185744160%.

	<u>2022</u>	<u>2021</u>	<u>Increase/ (Decrease)</u>
Actuarial Valuation Date	July 1, 2021	July 1, 2020	
Net Pension Liability	\$ 2,783,098	\$ 2,200,418	\$ 582,680
Authority's Proportion of the Plan's Total Net Pension Liability	0.0185744160%	0.0184416450%	0.0001327710%

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021**

NOTE 8 PENSION PLAN (continued)

Net Pension Liability and Pension Expense (continued)

For the year ended December 31, 2022 and 2021 the Authority recognized pension expense/(income) of (\$495,294) and \$4,790, respectively. The Authority reported deferred outflow of resources and deferred inflow of resources related to pension from the following sources:

Year ended December 31, 2022	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 20,087	\$ 17,714
Changes of assumptions	8,623	416,740
Changes in proportion	64,486	490,321
Net difference between projected and actual investment earning on pension plan investments	115,190	
	\$ 208,386	\$ 924,775

Year ended December 31,

2023	\$ (454,815)
2024	(233,405)
2025	(137,579)
2026	110,237
2027	(827)
Total	\$ (716,389)

December 31,
2022

Deferred Outflows	\$ 208,386
Deferred Inflows	(924,775)
Net Outflows (Inflows)	\$ (716,389)

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021**

NOTE 8 PENSION PLAN (continued)

Net Pension Liability and Pension Expense (continued)

Year ended December 31, 2021	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 34,703	\$ 15,752
Changes of assumptions	11,460	783,363
Changes in proportion	120,736	704,108
Net difference between projected and actual investment earning on pension plan investments	-	579,648
	<u>\$ 166,899</u>	<u>\$ 2,082,871</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended December 31,

	2022	\$ (725,754)
	2023	(568,581)
	2024	(343,338)
	2025	(268,487)
	2026	<u>(9,812)</u>
	Total	<u>\$ (1,915,972)</u>
		<u>December 31, 2021</u>
	Deferred Outflows	\$ 166,899
	Deferred Inflows	<u>(2,082,871)</u>
	Net Outflows (Inflows)	<u>\$ (1,915,972)</u>

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021**

NOTE 8 PENSION PLAN (continued)

Contributions

The contribution policy for PERS is set by N.J.S.A. 15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For fiscal year 2021, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. Authority contributions to PERS amounted to \$235,701 and \$204,849 for 2021 and 2020, respectively. The annual employer contribution includes funding for basic retirement allowances, cost-of-living adjustments, cost of medical premiums after retirement for qualified retirees, and noncontributory death benefits.

The Authority contribution to the plan for the past three years are as follows:

Year	PERS
2022	\$ 232,558
2021	217,528
2020	228,243

All contributions were equal to the required contributions for each of the three years, respectively.

In 2004 the Authority deferred a portion of their pension obligation as allowed. The present value of the deferral at December 31, 2022 and 2021 is \$22,105 and \$27,925, respectively. This amount is included as an accrued liability on the balance sheet. The Authority is obligated to pay, at a minimum \$6,673 per year plus an adjustment based on the rate of return of the actuarial value of the plans assets for 15 years beginning in 2012 to pay back the deferral.

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021**

NOTE 8 PENSION PLAN (continued)

Long-term Expected Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment 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, 2022 are summarized in the following table:

Actuarial Assumptions

The total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2022. This actuarial valuation used the following actuarial assumptions:

Inflation Rate	
Price	2.75%
Wage	3.25%
Salary increases:	2.00 - 6.00%
Investment rate of return	7.00%

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 improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

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

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 8 PENSION PLAN (continued)

Actuarial Assumptions (continued)

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

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

The following presents the collective net pension liability of the participating employers as of June 30, 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 1-percentage-point lower or 1-percentage-point higher than the current rate:

	<u>At 1% Decrease (6.00%)</u>	<u>At current Discount (7.00%)</u>	<u>At 1% Increase (8.00%)</u>
Authority's proportionate share of the net pension liability	<u>\$ 3,575,466</u>	<u>\$ 2,783,098</u>	<u>\$ 2,108,761</u>

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued PERS financial statements.

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 9 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”)

General Information About the OPEB Plan

The State Health Benefit Local Government Retired Employee Plan (the Plan) is a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for Post employment Benefits Other Than Pensions*, therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (“State”), Division of Pensions and Benefits’ (“Division”). Annual Comprehensive Financial Report (ACFR) which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>.

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

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

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.

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 9 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”) (continued)

Special Funding Situation

Under Chapter 330, P.L. 1997, the State shall pay the premium or periodic charges for the qualified local police and firefighter retirees and dependents equal to 80 percent of the premium or periodic charge for the category of coverage elected by the qualified retiree under the State managed care plan or a health maintenance organization participating in the program providing the lowest premium or periodic charge. 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.

Therefore, these employers are considered to be in a special funding situation as defined by GASB Statement No 75 and the State is treated as a nonemployer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan, there is no net OPEB liability, deferred outflows of resources or deferred inflows of resources to report in the financial statements of the local participating employers related to this legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the nonemployer contributing entities’ total proportionate share of the collective net OPEB liability that is associated with the local participating employer. The participating employer is required to record in their financial statements, as an expense and corresponding revenue, their proportionate share of the OPEB expense allocated to the State of New Jersey under the special funding situation.

Net OPEB Liability

At December 31, 2022, the Authority reported a liability of \$4,711,644 as the Authority's proportionate share of Net OPEB liability. The Net OPEB liability was measured as of June 30, 2022. The total OPEB liability used to calculate the Net OPEB liability was determined using update procedures to roll forward the total OPEB liability from an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022. The Authority's proportion measured as of June 30, 2022, was 0.029175% which was an increase from its proportion measured as of June 30, 2021 of 0.026528.

OPEB Expense

At December 31, 2022, the Authority's proportionate share of the expense (benefit), calculated by the plan as of the June 30, 2022 measurement date is \$44,041.

Deferred Outflows and Deferred Inflows of Resources, and OPEB Expense

At December 31, 2022 the State reported deferred outflows of resources and deferred inflows from resources attributable to the Authority from the following sources:

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 9 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”) (continued)

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ 243,314	\$ 873,339
Net differences between projected and actual investment earnings	1,240	-
Changes of assumptions	628,788	1,607,993
Changes in proportion	<u>704,406</u>	<u>717,923</u>
	<u>\$ 1,577,748</u>	<u>\$ 3,199,255</u>

At December 31, 2021 the State reported deferred outflows of resources and deferred inflows from resources attributable to the Authority from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Net differences between expected and actual experience	\$ 107,145	\$ 998,997
Net differences between projected and actual investment earnings	2,283	-
Changes of assumptions	686,895	844,034
Changes in proportion	<u>295,132</u>	<u>923,556</u>
	<u>\$ 1,091,455</u>	<u>\$ 2,766,587</u>

The Authority will amortize the above sources of deferred outflows and inflows related to the OPEB over the average of the expected remaining service lives of all employees that are provided with OPEB through the OPEB plan with the exception of net differences between projected and actual earnings on OPEB plan investments which will be amortized over 5 years.

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021**

NOTE 9 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”) (continued)

Deferred Outflows and Deferred Inflows of Resources, and OPEB Expense (continued)

Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB that would be recognized in future periods if the Authority was on a GAAP basis of accounting, is as follows:

Year ended December 31,		
2023	\$	(464,410)
2024		(464,745)
2025		(327,095)
2026		(176,386)
2027		(25,456)
2028-2029		<u>(163,415)</u>
Total	\$	<u>(1,621,507)</u>
		<u>December 31,</u>
		<u>2022</u>
Deferred Outflows	\$	1,577,748
Deferred Inflows		<u>(3,199,255)</u>
Net Outflows (Inflows)	\$	<u>(1,621,507)</u>

Actuarial Assumptions

The total OPEB liability as of June 30, 2022 was determined by using an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The actuarial valuations used the following actuarial assumptions:

Salary Increases*:

Public Employees’ Retirement System (PERS)	
Rate for all future years	2.75% – 6.55% based on years of service
Police and Firemen’s Retirement System (PFRS)	
Rate for all future years	3.25% to 16.25% based on years of service

Mortality

PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021
PFRS	Pub-2010 Safety classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

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

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 9 POST EMPLOYMENT BENEFITS OTHER THAN PENSIONS (“OPEB”) (continued)

Actuarial assumptions (continued)

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

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

Discount Rate

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

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

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

	<u>1%</u> <u>Decrease</u> <u>(2.54%)</u>	<u>June 30, 2022</u> <u>Current</u> <u>Discount Rate</u> <u>(3.54%)</u>	<u>1%</u> <u>Increase</u> <u>(4.54%)</u>
Authority's proportionate share of the net OPEB liability	\$ 5,461,744	\$ 4,711,644	\$ 4,108,118

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

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

	<u>1%</u> <u>Decrease</u>	<u>June 30, 2022</u> <u>Healthcare cost</u> <u>trend rate</u>	<u>1%</u> <u>Increase</u>
Authority's proportionate share of the net OPEB liability	\$ 3,997,029	\$ 4,711,644	\$ 5,626,864

TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2022 and 2021

NOTE 10 **RISK MANAGEMENT**

Health insurance coverage for the Authority’s employees is obtained through the New Jersey State Health Benefits Program (“SHBP”). SHBP provides the following basic benefit coverage to all participants: hospital, surgical, group major medical, prescription drug coverage for active and qualified retired Authority employees and their families. Worker’s compensation is obtained through the Statewide Joint Insurance Fund, a public entity risk pool. General liability and property coverage is provided by Zurick American Insurance Company; general liability coverage is in the amount of \$1,000,000 per occurrence and property coverage is in the amount of \$1,000,000 combined single limit. A commercial umbrella policy from American Alternative Insurance Company increases the limits to \$10,000,000 for each occurrence and in the aggregate for general liability and property coverage.

There have been no reductions in insurance coverage from the prior year. Additionally, the amount of settlements has not exceeded insurance coverage in the past three years.

NOTE 11 **CONTINGENCIES**

The Authority is subject to extensive federal and state environmental regulations. The Authority’s management is not aware of any violations that may have a material effect on the financial statements.

NOTE 12 **LITIGATION**

The Authority is party to various lawsuits, none of which the Authority believes will cause any monetary damage to the Authority.

NOTE 13 **SUBSEQUENT EVENTS**

There are no reportable subsequent events.

Management has evaluated subsequent events through February 3, 2025, the date the financial statements were issued.

SUPPLEMENTARY INFORMATION

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NEPTUNE, NEW JERSEY**

**SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES (Budgetary Basis)
Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)**

	2022 Budget	2022 Actual	Variance	2021 Actual
Operating Revenues:				
Unrestricted Net Position Utilized	\$ 1,484,650	\$ 938,942	\$ (545,708)	
Service Charges	6,727,900	6,727,900	-	\$ 6,727,900
Interest Income	60,000	44,551	(15,449)	36,501
Miscellaneous Income		325	325	2,322
Total Budget	\$ 8,272,550	\$ 7,711,718	\$ (560,832)	\$ 6,766,723
Operating Expenses:				
Personnel Costs and Benefits:				
Administrative Salaries and Wages	\$ 192,500	\$ 183,448	\$ 9,052	\$ 175,570
Operational Salaries and Wages	1,600,000	1,438,347	161,653	1,320,439
Pension	245,000	225,134	19,866	235,701
Hospitalization & Dental	425,000	348,484	76,516	371,912
Prescription Plan	60,000	45,633	14,367	49,137
Payroll Taxes	117,000	128,107	(11,107)	120,843
Total Personnel Costs and Benefits	2,639,500	2,369,153	270,347	2,273,602
Administrative and General Expenses				
Insurance	198,000	198,592	(592)	186,968
Travel	4,000	189	3,811	1,064
Postage	2,000	1,188	812	1,278
Telephone	15,000	7,402	7,598	7,850
Office Supplies and Equipment	29,000	27,005	1,995	21,925
Affiliation Fees	7,000	5,626	1,374	5,796
Auditing and Financial Consulting	39,750	-	39,750	27,750
Legal and Legal Consulting	78,000	43,881	34,119	64,118
Trustee Fees	4,500	-	4,500	4,500
Other Misc. Admin. Expenses	16,500	11,582	4,918	12,843
Total Administrative and General Expenses	393,750	295,465	98,285	334,092

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NEPTUNE, NEW JERSEY**

**SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES (Budgetary Basis)
Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)**

	2022 Budget	2022 Actual	Variance	2021 Actual
Plant, System and Maintenance Expenses				
Electric	\$ 650,000	\$ 485,857	\$ 164,143	\$ 447,368
Chemical/Odor Control	175,000	179,967	(4,967)	228,920
Equipment and Maintenance	465,000	280,359	184,641	237,094
Maintenance Agreements	25,000	13,378	11,622	38,967
Natural Gas	160,000	141,795	18,205	114,027
Lab Supplies	40,000	57,469	(17,469)	39,256
Sodium Hypochlorite	120,000	115,835	4,165	88,977
Sludge Processing	750,000	977,085	(227,085)	1,125,135
Licensing Fees	65,000	333,221	(268,221)	18,802
Ocean Outfall Inspection	50,000	-	50,000	37,500
Engineering and Engineering Consulting	200,000	21,292	178,708	24,970
Other Misc. Operating Expenses	96,500	80,043	16,457	69,551
Total Plant, System and Maintenance Expenses	<u>2,796,500</u>	<u>2,686,301</u>	<u>110,199</u>	<u>2,470,567</u>
Total Operating Expenses	<u>5,829,750</u>	<u>5,350,919</u>	<u>478,831</u>	<u>5,078,261</u>
Other Costs Funded by Operating Revenues:				
Capital Outlay:				
Plant Improvements and Equipment	1,720,000	1,637,999	82,001	1,560,311
Total Capital Outlay	<u>1,720,000</u>	<u>1,637,999</u>	<u>82,001</u>	<u>1,560,311</u>
Debt Service:				
Bond Interest	27,800	27,800	-	41,100
Other Interest		-	-	2,483
Bond Principal	695,000	695,000	-	665,000
Total Debt Service	<u>722,800</u>	<u>722,800</u>	<u>-</u>	<u>708,583</u>
Total Other Costs Funded by Operating Revenues	<u>2,442,800</u>	<u>2,360,799</u>	<u>82,001</u>	<u>2,268,894</u>
Total Costs Funded by Operating Revenues	<u>8,272,550</u>	<u>7,711,718</u>	<u>560,832</u>	<u>7,347,155</u>
Excess (Deficit) of Revenues over Costs		<u>-</u>	<u>(1,121,664)</u>	<u>(580,432)</u>
Total Budget	<u>\$ 8,272,550</u>	<u>\$ 7,711,718</u>	<u>\$ (560,832)</u>	<u>\$ 6,766,723</u>

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NEPTUNE, NEW JERSEY**

**SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY
OPERATING REVENUES (Budgetary Basis)
Year Ended December 31, 2022
(With Comparative Actual Amounts for the Year Ended December 31, 2021)**

	2022 <u>Actual</u>	2021 <u>Actual</u>
Reconciliation of Budgetary Basis to Net Income		
Excess (Deficit) of Revenues over Costs	\$ -	\$ (580,432)
Gasb 68 Pension Adjustment	(580,657)	730,995
Gasb 75 OPEB Adjustment	44,041	156,236
Capitalized Plant Improvements	1,637,999	1,560,311
Impairment of fixed assets	-	(880,492)
Depreciation Expense	(1,192,752)	(1,201,890)
Amortization of Bond Premium	-	15,181
Amortization of Deferred Charges	-	(3,471)
Debt Service - Bond Principal	<u>695,000</u>	<u>665,000</u>
Net Income	<u>\$ 603,631</u>	<u>\$ 461,438</u>

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NEPTUNE, NEW JERSEY**

**SCHEDULE OF THE PROPORTIONATE SHARE OF
NET PENSION LIABILITY
Years Ended December 31, (Last 10 Years)***

	2022	2021	2020	2019	2018	2017	2016	2015
Proportion of the net pension liability	0.0184416450%	0.0185744160%	0.0208641246%	0.0202479592%	0.0233918165%	0.0231375835%	0.0221332915%	0.0231464044%
Proportionate share of the net pension liability	\$ 2,783,098	\$ 2,200,418	\$ 3,402,393	\$ 3,648,375	\$ 4,605,732	\$ 5,386,060	\$ 6,555,246	\$ 5,195,904
Covered - employee payroll	\$ 1,426,348	\$ 1,494,663	\$ 1,509,816	\$ 1,586,348	\$ 1,653,583	\$ 1,786,383	\$ 1,718,894	\$ 1,657,203
Proportionate Share of the net pension liability as percentage of employee payroll	195.12%	147.22%	225.35%	229.99%	278.53%	301.51%	381.36%	313.53%
Proportionate share of plan's fiduciary net position	\$ 4,759,804	\$ 5,272,680	\$ 3,429,147	\$ 4,727,419	\$ 5,319,784	\$ 4,991,694	\$ 4,395,133	\$ 4,782,414
Plan fiduciary net position as a percentage of the total pension liability	62.91%	70.33%	42.51%	56.27%	53.60%	48.10%	40.14%	47.93%

Notes to Schedule:

* - 2015 was the first year of implementation, therefore only eight years are shown.

Benefit Changes

The Division of Pensions and Benefits adopted a new policy regarding the crediting of interest on member contributions for the purpose of refund of accumulated deductions. Previously, after termination but prior to retirement or death, interest was credited on member accumulated deductions at the valuation interest rate for the entire period. Effective July 1, 2018, interest is only credited at the valuation interest rate for the first two years of activity prior to retirement or death.

Changes of Assumptions

For 2022, demographic assumptions were updated to reflect the most recent experience study for the period July 1, 2018 to June 30, 2021.

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NEPTUNE, NEW JERSEY**

**SCHEDULE OF PENSION CONTRIBUTIONS
Years Ended December 31, (Last 10 Years)***

	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution (actuarially determined)	\$ 232,558	\$ 217,528	\$ 228,243	\$ 196,953	\$ 232,673	\$ 214,345	\$ 195,997	\$ 180,288
Contributions in relation to the actuarially determined contributions	232,558	217,528	228,243	196,953	232,673	214,345	195,997	180,288
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered - employee payroll	\$ 1,426,348	\$ 1,494,663	\$ 1,509,816	\$ 1,586,348	\$ 1,653,583	\$ 1,786,383	\$ 1,718,894	\$ 1,657,203
Contributions as a percentage of covered- employee payroll	16.30%	14.55%	15.12%	12.42%	14.07%	12.00%	11.40%	10.88%
Notes to Schedule:								
Valuation date:	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015
Inflation rate (Price/Wage)	2.75% / 3.25%	2.75% / 3.25%	2.75% / 3.25%	2.25%	2.25%	2.25%	3.08%	3.04%
Salary Increases Through all future years	2.75 - 6.55% Based on Years of Service	2.00 - 6.00% Based on Years of Service	2.00 - 6.00% Based on Years of Service	2.00 - 6.00% Based on Years of Service	1.65 - 4.15% Based on Age	1.65 - 4.15% Based on Age	1.65 - 4.15% Based on Age	2.15 - 4.40% Based on Age
Thereafter	Not Applicable	3.00 - 7.00% Based on Years of Service	3.00 - 7.00% Based on Years of Service	3.00 - 7.00% Based on Years of Service	2.65 - 5.15% Based on Age	2.65 - 5.15% Based on Age	2.65 - 5.15% Based on Age	3.15 - 5.40% Based on Age
Investment rate of return	7.00%	7.00%	7.00%	7.00%	7.00%	7.00%	7.65%	7.90%

* - 2015 was the first year of implementation, therefore only eight years are shown.

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NEPTUNE, NEW JERSEY**

**SCHEDULE OF THE PROPORTIONATE SHARE OF
NET OPEB LIABILITY
Years Ended December 31, (Last 10 Years)***

	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the net OPEB liability	0.029175%	0.026528%	0.028791%	0.028615%	0.030899%	0.028594%	0.030546%
Authority's proportionate share of the net OPEB liability	\$ 4,711,644	\$ 4,774,982	\$ 5,167,009	\$ 3,876,208	\$ 4,840,828	\$ 5,837,691	\$ 6,633,817
Authority's covered-employee payroll	\$ 1,426,348	\$ 1,494,663	\$ 1,509,816	\$ 1,586,348	\$ 1,653,583	\$ 1,786,383	\$ 1,718,894
Authority's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	330.33%	319.47%	342.23%	244.35%	292.75%	326.79%	385.94%
Plan fiduciary net position as a percentage of the total OPEB liability	-0.36%	0.28%	0.91%	1.98%	1.97%	1.03%	0.69%

* - 2016 was the first year of implementation, therefore only eight years are shown.

Notes to Required Supplementary Information

Benefit Changes

There were no changes in 2022.

Changes of Assumptions

The discount rate changed from 2.16% as of June 30, 2021 to 3.54% as of June 30, 2022.

For 2022 the scale PUB-2010 General classification headcount-weighted mortality table with fully generation mortality improvement projections from the central year using Scale MP-2021; the Scale MP-2021 was used for mortality improvement in 2021

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
NEPTUNE, NEW JERSEY**

**SCHEDULE OF OPEB CONTRIBUTIONS
Years Ended December 31, (Last 10 Years)***

	2022	2021	2020	2019	2018	2017	2016
Contractually required contribution	\$ 335,365	\$ 352,695	\$ 353,747	\$ 408,498	\$ 366,197	\$ 415,633	\$ 360,248
Contributions in relation to the actuarially determined contributions	<u>335,365</u>	<u>352,695</u>	<u>353,747</u>	<u>408,498</u>	<u>366,197</u>	<u>415,633</u>	<u>360,248</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Notes to Schedule:

Valuation date:	June 30, 2022	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016
Inflation rate	2.75%	2.50%	2.50%	2.25%	2.50%	2.50%	2.50%
Salary Increases Through 2026	2.75 - 6.55% Based on Years of Service	2.00 - 6.00% Based on Years of Service	2.00 - 6.00% Based on Years of Service	2.00 - 6.00% Based on Years of Service	1.65 - 8.98% Based on Age	1.65 - 8.98% Based on Age	1.65 - 8.98% Based on Age
Thereafter	Not Applicable	3.00 - 7.00% Based on Years of Service	3.00 - 7.00% Based on Years of Service	3.00 - 7.00% Based on Years of Service	2.65 - 9.98% Based on Age	2.65 - 9.98% Based on Age	2.65 - 9.98% Based on Age
Discount rate	3.54%	2.16%	2.21%	3.50%	3.87%	3.58%	2.85%

* - 2016 was the first year of implementation, therefore only seven years are shown.

PART II
COMMENTS AND RECOMMENDATIONS

**TOWNSHIP OF NEPTUNE SEWERAGE AUTHORITY
COUNTY OF MONMOUTH**

**SCHEDULE OF FINDINGS AND RECOMMENDATIONS
Year Ended December 31, 2022**

This section identifies the significant deficiencies, material weaknesses, and instances of noncompliance related to the financial statements that are required to be reported in accordance with Government Auditing Standards and with audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Section I – Financial Statement Findings

None.

Section II – Summary Schedule of Prior Audit Findings

None.