

**TOWNSHIP OF LOWER  
MUNICIPAL UTILITIES AUTHORITY  
(a Component Unit of the Township of Lower)**

**REPORT OF AUDIT**

**WITH  
SUPPLEMENTARY INFORMATION**

**FOR THE FISCAL YEARS ENDED  
NOVEMBER 30, 2023 AND 2022**



**Township of Lower Municipal Utilities Authority**  
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**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
**Roster of Officials**  
**As of November 30, 2023**

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AUTHORITY COMMISSIONERS

Brian O'Connor  
Jacqueline U. Henderson  
Harrison A. Bitting  
Karen Rechner  
James P. Ridgway

POSITION

Chairperson  
Vice Chairperson  
Treasurer  
Assistant Treasurer  
Board Member

OFFICIALS

Stephen Blankenship  
Craig Loper  
Melissa Bailey  
Erin McFeeters  
Polistina & Associates, LLC  
William J. Kaufmann, Esq.  
McManimon, Scotland & Baumann, LLC

Executive Director  
Water/Sewer Superintendent  
Board Secretary  
Assistant Board Secretary  
Engineers  
Solicitor  
Bond Counsel

**TOWNSHIP OF LOWER  
MUNICIPAL UTILITIES AUTHORITY**

**PART I**

**FINANCIAL SECTION**

**FOR THE FISCAL YEARS ENDED  
NOVEMBER 30, 2023 AND 2022**

## **INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
The Board of Commissioners of the  
Township of Lower Municipal Utilities Authority  
Villas, New Jersey

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the accompanying financial statements of the business-type activities of the Township of Lower Municipal Utilities Authority, in the County of Cape May, State of New Jersey, a component unit of the Township of Lower (Authority), as of and for the fiscal years ended November 30, 2023 and 2022 and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Township of Lower Municipal Utilities Authority, in the County of Cape May, State of New Jersey, a component unit of the Township of Lower, as of November 30, 2023 and 2022, and the changes in its financial position and its cash flows thereof for the fiscal years then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audits in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and audit requirements as prescribed by the Bureau of Authority Regulation, 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 Township of Lower Municipal Utilities Authority, in the County of Cape May, State of New Jersey, a component unit of the Township of Lower, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

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

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

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

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 auditing standards generally accepted in the United States of America 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States of America 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 judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of the Authority's proportionate share of the net pension liability, schedule of the Authority's pension contributions, schedule of the Authority's proportionate share of the net OPEB liability, and schedule of the Authority's OPEB contributions 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 basic financial statements. The accompanying supplementary schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, respectively, are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

The accompanying supplementary schedules and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate 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 accompanying supplementary schedules and the schedules of expenditures of federal awards and state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated August 11, 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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
August 11, 2025



**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**

**INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
The Board of Commissioners of the  
Township of Lower Municipal Utilities Authority  
Villas, New Jersey

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 audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Township of Lower Municipal Utilities Authority, in the County of Cape May, State of New Jersey, a component unit of the Township of Lower (Authority), as of and for the fiscal year ended November 30, 2023, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated August 11, 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 audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of the Authority's internal control.

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

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

## Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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* and the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey.

## Purpose of this Report

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

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
August 11, 2025

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEARS ENDED**  
**NOVEMBER 30, 2023 AND 2022**  
(Unaudited)

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The management's discussion and analysis of the Township of Lower Municipal Utilities Authority (Authority) financial performance provides an overall review of the Authority's financial activities for the fiscal years ended November 30, 2023 and 2022. The entire annual financial report consists of five parts; Independent Auditor's Reports, the management's discussion and analysis, the basic financial statements, required supplementary information and supplementary information.

### **FINANCIAL HIGHLIGHTS**

Management believes the financial position of the Township of Lower Municipal Utilities Authority (the "Authority") is strong. Key financial highlights for the Authority's fiscal year 2023 were:

- Total assets as of November 30, 2023 were \$112,749,941.97. After adding deferred outflows of resources of \$6,746,974.23 and deducting liabilities of \$64,113,678.29 and deferred inflows of resources of \$9,347,029.10; the resulting net position is \$46,036,208.81.
- Operating revenues were \$10,819,345.67 and \$9,700,838.12 for the fiscal years ended November 30, 2023 and 2022, respectively. The increase from 2022 to 2023 was \$1,118,507.55, or 11.53%, mainly attributable to user fee revenues and connection fee revenues from new users of Middle Township.
- Operating expenses were \$7,460,900.66 and \$7,304,745.16 for the fiscal years ended November 30, 2023 and 2022, respectively. The increase from 2022 to 2023 was \$156,155.50, or 2.14%.
- Payments to the Township of Lower for municipal appropriation for the fiscal years ended November 30, 2023 and November 30, 2022 were \$160,000.00, in accordance with the Authority's adopted budgets.
- Investment income increased from \$56,010.19 for the fiscal year ended November 30, 2022 to \$541,031.86 for the fiscal year ended November 30, 2023.
- Net investment in capital assets was \$31,725,587.55 as of November 30, 2023, an increase of \$2,152,827.17 from the prior year, as a result of the Authority's continued investment in capital assets and paydown of permanent debt. Unrestricted net position was \$13,835,905.63 as of November 30, 2023, an increase of \$1,369,900.31 from the prior year.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis is intended to serve as an introduction to the Authority's basic financial statements. Comparison to the prior year's activity is provided in this document. The Authority's basic financial statements comprise two components: (1) financial statements, and (2) notes to the financial statements.

The basic financial statements report information about the Authority as a whole using accounting methods similar to those used by private-sector companies. The statements of net position includes all of the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. As the Authority follows the accrual method of accounting, the current fiscal year's revenue and expenses are accounted for in the statements of revenues, expenses and change in net position regardless of when cash is received or paid. Net position - the difference between the Authority's assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is a measure of the Authority's financial health or position. The statements of revenues, expenses and change in net position provides a breakdown of the various areas of revenues and expenses encountered during the current fiscal year.

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEARS ENDED**  
**NOVEMBER 30, 2023 AND 2022**  
(Unaudited) (Cont'd)

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONT'D)**

The statements of cash flows provide a breakdown of the various sources of cash flow, categorized into four areas: cash flows from operating activities, noncapital financing activities, capital and related financing activities and investing activities.

**FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE**

The Authority's total net position was \$ 46,036,208.81 on November 30, 2023. Total assets, deferred outflows of resources, total liabilities, deferred inflows of resources, and total net position are detailed below.

A significant portion of the Authority's net position represents its investment in capital assets (i.e. water and sewer infrastructures, buildings, improvements and equipment); less the related debt outstanding used to acquire those capital assets. Although the Authority's investment in its capital assets is reported net of related debt, it is noted that the resources required to repay this debt must be provided annually from operations, since the capital assets themselves cannot be used to liquidate liabilities.

An additional portion of the Authority's net position represents resources that are subject to external restrictions on how they can be used under the Bond Resolution covenants. The remaining portion of the Authority's net position is in unrestricted net position.

**Comparative Statements of Net Position**  
**As of November 30,**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Change from 2022 to 2023</u>	
				<u>Amount</u>	<u>Percentage</u>
Total Unrestricted Assets	\$ 10,804,299.02	\$ 6,556,292.70	\$ 10,205,264.41	\$ 4,248,006.32	64.79%
Total Restricted Assets	13,241,618.31	16,680,291.15	11,756,950.86	(3,438,672.84)	-20.62%
Capital Assets	84,225,755.77	73,514,939.68	49,478,815.79	10,710,816.09	14.57%
Other Assets	4,478,268.87	2,763,101.19	1,845,368.10	1,715,167.68	62.07%
<b>Total Assets</b>	<b>112,749,941.97</b>	<b>99,514,624.72</b>	<b>73,286,399.16</b>	<b>13,235,317.25</b>	<b>13.30%</b>
Total Deferred Outflows of Resources	6,746,974.23	5,543,704.17	5,439,197.57	1,203,270.06	21.71%
Total Current Liabilities					
Payable from Current Assets	1,002,047.06	910,501.32	852,122.71	91,545.74	10.05%
Payable from Restricted Assets	1,165,536.46	2,971,277.58	1,653,143.59	(1,805,741.12)	-60.77%
Long-Term Obligations	61,946,094.77	50,189,501.09	29,742,672.50	11,756,593.68	23.42%
<b>Total Liabilities</b>	<b>64,113,678.29</b>	<b>54,071,279.99</b>	<b>32,247,938.80</b>	<b>10,042,398.30</b>	<b>18.57%</b>
Total Deferred Inflows of Resources	9,347,029.10	8,475,642.57	8,628,414.37	871,386.53	10.28%
Net Position					
Net Investment in Capital Assets	31,725,587.55	29,572,760.38	26,597,553.27	2,152,827.17	7.28%
Restricted	474,715.63	472,640.63	470,296.89	2,075.00	0.44%
Unrestricted	13,835,905.63	12,466,005.32	10,781,393.40	1,369,900.31	10.99%
<b>Total Net Position</b>	<b>\$ 46,036,208.81</b>	<b>\$ 42,511,406.33</b>	<b>\$ 37,849,243.56</b>	<b>\$ 3,524,802.48</b>	<b>8.29%</b>

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEARS ENDED**  
**NOVEMBER 30, 2023 AND 2022**  
(Unaudited) (Cont'd)

**FINANCIAL ANALYSIS OF THE AUTHORITY AS A WHOLE (CONTINUED)**

The Authority realized operating income of \$3,358,445.01 for the current fiscal year. Combined with non-operating revenues (expenses) of \$166,357.47, the Authority's total change in net position for the current fiscal year was an increase of \$3,524,802.48. Major components of this activity are detailed below.

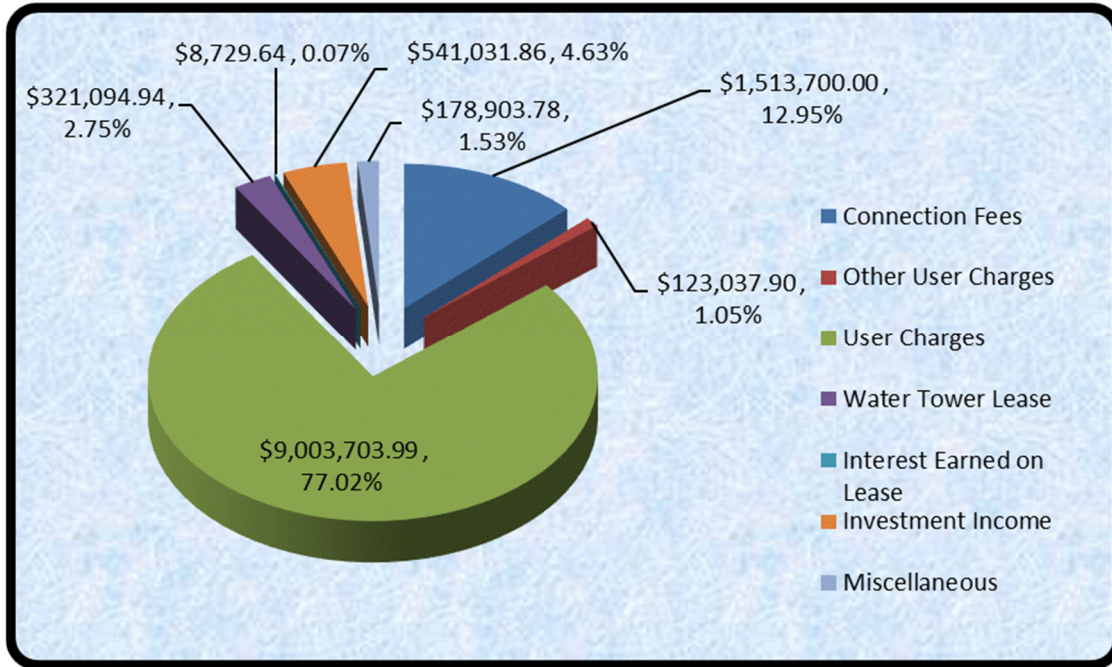
**Comparative Statements of Revenues, Expenses and Change in Net Position**  
**for the Fiscal Years Ended November 30,**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>Change from 2022 to 2023</u>	
				<u>Amount</u>	<u>Percentage</u>
Total Operating Revenues	\$ 10,819,345.67	\$ 9,700,838.12	\$ 8,820,230.63	\$ 1,118,507.55	11.53%
Total Operating Expenses	<u>(7,460,900.66)</u>	<u>(7,304,745.16)</u>	<u>(6,641,474.23)</u>	<u>(156,155.50)</u>	<u>2.14%</u>
Operating Income	3,358,445.01	2,396,092.96	2,178,756.40	962,352.05	40.16%
Non Operating Revenues / (Expenses)	<u>166,357.47</u>	<u>(253,658.53)</u>	<u>(345,244.99)</u>	<u>420,016.00</u>	<u>-165.58%</u>
Increase in Net Position, Before Capital Contribution	3,524,802.48	2,142,434.43	1,833,511.41	1,382,368.05	64.52%
Capital Contribution	<u>-</u>	<u>2,519,728.34</u>	<u>-</u>	<u>(2,519,728.34)</u>	<u>0.00%</u>
Increase in Net Position, After Capital Contribution	3,524,802.48	4,662,162.77	1,833,511.41	(1,137,360.29)	-24.40%
Net Position - Beginning	<u>42,511,406.33</u>	<u>37,849,243.56</u>	<u>36,015,732.15</u>	<u>4,662,162.77</u>	<u>12.32%</u>
Net Position - Ending	<u>\$ 46,036,208.81</u>	<u>\$ 42,511,406.33</u>	<u>\$ 37,849,243.56</u>	<u>\$ 3,524,802.48</u>	<u>8.29%</u>

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEARS ENDED**  
**NOVEMBER 30, 2023 AND 2022**  
(Unaudited) (Cont'd)

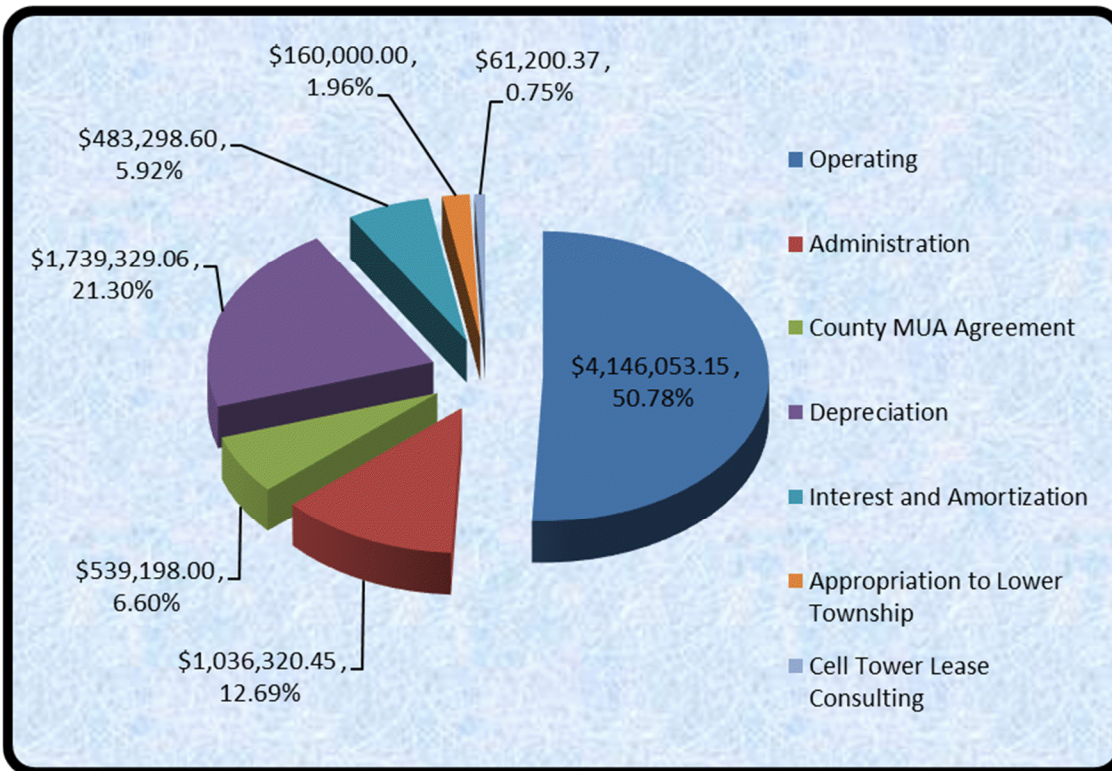
**TOTAL REVENUES**

Following is a breakdown of total revenue for the fiscal year ended November 30, 2023.



**TOTAL EXPENSES**

Following is a breakdown of total expenses for the fiscal year ended November 30, 2023.





**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEARS ENDED**  
**NOVEMBER 30, 2023 AND 2022**  
**(Unaudited) (Cont'd)**

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**OVERALL ANALYSIS**

The Authority's overall financial position is firm. User fees and rent revenues increased by \$229,023.98 or 2.57% from fiscal year 2022 to fiscal year 2023 as Del Haven water users were connected to the Authority's water system.

Connection fee revenue in fiscal year 2023 was \$1,513,700.00 compared to \$727,640.00 in fiscal year 2022. The Authority expanded the water system to new users in the Del Haven area of the Middle Township. Phase 2 and Phase 3 users were connected in fiscal year 2023, and the Authority realized the connection fee revenue in 2023.

Overall, the Authority believes it is managing its financial position as efficiently as possible in spite of the challenging fiscal environment. Net position increased by \$3,524,802.48 in 2023, and \$4,662,162.77 in 2022. The increase in net position is consistent with the Authority's plan to reinvest those gains into capital projects, which do not show as expenditures in GAAP financial statements. The Authority expended over \$12,000,000.00 on capital projects and major repairs in fiscal year 2023. The capital expenditures will be recorded as expenses over the next few decades as they are depreciated. The water and sewer service charges have been very stable and are expected to grow steadily during the next few years as expansion projects are completed. Further, the recent and planned service extensions have allowed the Authority to increase its customers with only minimal increases in service costs. This has allowed the Authority to reinvest into its infrastructure without increasing service rates. Also, the residential and public sectors, the most stable when considering the volatility of a billing base, comprise approximately 95% of the Authority's water and sewer customers. There is no particular emphasis or imbalance in the type of business enterprises within the commercial sector. Industrial users exist, but do not comprise a major portion of the Authority's billing base.

**BUDGET VARIANCES**

The actual Water Division revenues exceeded the anticipated revenues by \$1,257,770.57 in 2023 [\$4,259,000.00 budgeted vs. \$5,516,770.57 actual] and \$1,096,760.34 in 2022 [\$3,835,200.00 budgeted vs. \$4,931,960.34 actual]. The actual Sewer Division revenues exceeded the anticipated revenues by \$830,936.57 in 2023 [\$5,268,000 budgeted vs. \$6,098,936.57 actual] and fell short of the anticipated revenues by \$98,008.37 in 2022 [\$5,216,300.00 budgeted vs. \$5,118,291.63 actual].

Connection fee revenues of \$390,000.00 and \$12,800.00 were budgeted in 2023 and 2022, respectively. Actual revenues realized for connection fees totaled \$1,513,700.00 in 2023 and \$727,640.00 in 2022. As noted above, the connection fees for the Phase 2 and Phase 3 of the Del Haven water expansion were recognized in fiscal year 2023 when those parts of the projects were completed and actual water service became available. The budgeted connection fees are based on conservative estimate of the expansion programs and miscellaneous development by the private sector. The Authority's management does not utilize expansion project connection fees to balance operating budgets and therefore does not aggressively budget those connection fees in the operating budget. The expansion project connection fees are not fully budgeted so when they are earned, they create net position that can be utilized for future capital needs or future debt service.

Investment income of \$50,000.00 and \$37,500.00 were budgeted in 2023 and 2022, respectively. Actual revenues realized for investment income totaled \$541,031.86 in 2023 and \$56,010.19 in 2022. The increase in investment income was a result of diversifying the Authority's cash deposits in different financial institutions, increased interest yields earned in the fiscal year, as well as the Authority's improved cash position.

Total Operating Appropriations once again came in well under our budget for 2023 in the amount of \$557,367.69 (Water Division) and \$678,434.71 (Sewer Division); as compared to 2022 in the amount of \$798,925.55 (Water Division) and \$472,196.10 (Sewer Division).

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
FOR THE FISCAL YEARS ENDED  
NOVEMBER 30, 2023 AND 2022  
(Unaudited) (Cont'd)

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**BUDGET VARIANCES (CONT'D)**

During fiscal years 2023 and 2022, the Township of Lower exercised its right to request up to 5% of the appropriated annual costs of operation of the Authority per N.J.S.A. 40A: 5A-12.1. The amounts requested in both 2023 and 2022 were \$160,000.00.

**CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY**

At the end of the fiscal year 2023, the Authority had a net book value of \$84,225,755.77 in land, construction in progress, buildings and improvements, machinery and equipment, infrastructure and other assets.

Major capital asset events during the current fiscal year included the following:

- Depreciation expense of \$1,739,329.06.
- Capital Assets addition of \$12,450,145.15 in cost basis.
- Completed assets placed into service of \$2,270,354.27.

The table below shows a summary of the fiscal years 2023 and 2022 balances.

<b>Capital Assets (Net of Accumulated Depreciation)</b>		
<b>For the Fiscal Years Ended November 30,</b>		
	<b><u>2023</u></b>	<b><u>2022</u></b>
Land	\$ 97,234.00	\$ 97,234.00
Construction In Progress	40,124,794.64	29,945,003.76
Buildings and Improvements	7,378,871.69	7,650,266.75
Machinery and Equipment	2,022,306.63	2,076,346.84
Infrastructure	34,597,606.51	33,740,133.78
Other	<u>4,942.30</u>	<u>5,954.55</u>
Total Capital Assets	<u>\$ 84,225,755.77</u>	<u>\$ 73,514,939.68</u>

The Authority continues to maintain a proactive maintenance philosophy for its capital facilities. The Authority's 2023-2024 budget includes \$2,931,000.00 in Sewer Capital and \$4,838,500.00 in Water Capital construction projects and equipment purchases funded through the budget, Renewal and Replacement Fund and Long Term Debt issues. The major projects in the 2023-2024 Capital Program include the following:

1. Sewer Treatment Plant Improvements
2. Front Entrance Upgrade
3. Sewer Pump Station Rehabilitation
4. Sanitary Sewer Main Replacement and/or Lining
5. Water Meter Replacement Program
6. Water Well Inspection & Refurbish
7. Water Storage – Water Tank Painting & Repairs
8. Water Main Replacement
9. Purchase of Various Operating Equipment and Vehicles



**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**FOR THE FISCAL YEARS ENDED**  
**NOVEMBER 30, 2023 AND 2022**  
**(Unaudited) (Cont'd)**

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**CAPITAL ASSET AND LONG-TERM DEBT ACTIVITY (CONT'D)**

In connection with the most recent bond sale in February 2014, Moody's Investors Services assigned a rating of Aa3 to the Authority. The Authority does not anticipate any change in its excellent credit rating.

\$180,000.00 of debt service principal payments scheduled in 2023 were paid on the outstanding Revenue Refunding Bond of 2012. \$253,921.41 of debt service principal payments scheduled in 2023 were paid on three series of USDA Loans. \$88,624.11 of debt service principal payments scheduled in 2023 were paid on NJIB Trust and Fund Loans.

On April 21, 2021, the Authority closed on a construction financing program (CFP) interim loan (S340810-05) from the New Jersey Infrastructure Bank in the amount of \$17,100,000.00. The loan consists of 50% DEP interest-free funding and 50% I-Bank market rate financing. The maturity date of the loan is June 30, 2024 or the date of closing for the anticipated permanent financing program of NJIB. On October 31, 2022, the interim loan was increased to \$28,783,951.00. The loan proceeds held by NJIB are being used to fund the costs of the vacuum sewer expansion project. As of November 30, 2023 and 2022, cumulative expenditures under this program were \$24,938,717.00 and \$15,861,709.00, respectively.

On June 11, 2021, the Authority closed on a construction financing program (CFP) interim loan (0505002-004) from the New Jersey Infrastructure Bank in the amount of \$8,500,000.00. The loan consists of 50% DEP interest-free funding and 50% I-Bank market rate financing. The maturity date of the loan is June 30, 2025 or the date of closing for the anticipated permanent financing program of NJIB. On October 31, 2022, the interim loan was increased to \$10,778,546.00. The loan proceeds held by NJIB are being used to fund the costs of installing water main and extending water service connections to the Del Haven area in Middle Township. As of November 30, 2023 and 2022, cumulative expenditures under this program were \$11,066,929.00 and \$9,122,846.00, respectively.

**CONTACTING THE AUTHORITY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide Lower Township's citizens and our customers, clients, investors and creditors, with a general overview of the Authority's finances and to demonstrate the Authority's accountability for the public funds it receives. If you have questions about this report or need additional financial information, contact the Executive Director, Stephen Blankenship, Township of Lower Municipal Utilities Authority, 2900 Bayshore Road, Villas, NJ 08251.

## **BASIC FINANCIAL STATEMENTS**

## TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY

Statements of Net Position  
As of November 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><u>ASSETS</u></b>		
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 9,223,393.89	\$ 5,084,457.77
Consumer Accounts Receivable, Net of Allowance of \$30,680.39 and \$37,554.03, respectively	972,060.06	1,051,692.43
Connection Fees Receivable	259,128.12	160,270.28
Lease Receivable	297,220.40	246,599.97
Prepaid Expenses	34,996.55	13,272.25
Other Accounts Receivable	17,500.00	
Total Unrestricted Assets	<u>10,804,299.02</u>	<u>6,556,292.70</u>
Restricted Assets:		
Cash and Cash Equivalents	10,148,735.31	6,366,264.81
NJIB Loans Receivable	3,092,883.00	7,794,298.00
Due from Lower Cape May County Regional Schools		2,519,728.34
Total Restricted Assets	<u>13,241,618.31</u>	<u>16,680,291.15</u>
Total Current Assets	<u>24,045,917.33</u>	<u>23,236,583.85</u>
Noncurrent Assets:		
Capital Assets:		
Land	97,234.00	97,234.00
Completed (Net of Accumulated Depreciation)	44,003,727.13	43,472,701.92
Construction in Progress	40,124,794.64	29,945,003.76
Total Capital Assets	<u>84,225,755.77</u>	<u>73,514,939.68</u>
Unrestricted Assets:		
Connection Fees Receivable	1,097,030.00	447,105.39
Lease Receivable	3,381,238.87	2,315,995.80
Total Unrestricted Assets	<u>4,478,268.87</u>	<u>2,763,101.19</u>
Total Noncurrent Assets	<u>88,704,024.64</u>	<u>76,278,040.87</u>
Total Assets	<u>112,749,941.97</u>	<u>99,514,624.72</u>
<b><u>DEFERRED OUTFLOWS OF RESOURCES</u></b>		
Related to Pensions	725,563.00	639,935.00
Related to OPEB	5,992,537.48	4,869,229.00
Deferred Loss on Defeasance of Debt	28,873.75	34,540.17
Total Deferred Outflows of Resources	<u>6,746,974.23</u>	<u>5,543,704.17</u>

(Continued)

## TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY

Statements of Net Position  
As of November 30, 2023 and 2022

	<u>2023</u>	<u>2022</u>
<b><u>LIABILITIES</u></b>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 601,975.56	\$ 537,409.97
Accounts Payable - Related to Pensions	302,363.00	251,247.00
Payroll Deductions Payable	686.49	22,265.17
Compensated Absences - Current Portion	26,456.63	46,596.33
Overpayments	70,565.38	52,982.85
	<u>1,002,047.06</u>	<u>910,501.32</u>
Total Current Liabilities Payable from Unrestricted Assets		
Current Liabilities Payable from Restricted Assets:		
Construction Contracts Payable	341,750.03	2,285,216.92
Deposits and Reserves	57,918.86	39,474.95
Accrued Interest on Bonds and Loans Payable	232,286.87	124,040.20
Revenue Bonds Payable - Current Portion	185,000.00	180,000.00
USDA Loans Payable - Current Portion	259,956.59	253,921.40
NJIB Loan Payable - Current Portion	88,624.11	88,624.11
	<u>1,165,536.46</u>	<u>2,971,277.58</u>
Total Current Liabilities Payable from Restricted Assets		
Long-term Liabilities:		
Compensated Absences	144,904.53	133,522.05
Net Pension Liability	3,276,805.00	3,006,756.00
Net OPEB Liability	6,744,689.00	5,775,580.00
Accrued Liability - Related to Pensions	125,985.00	104,686.00
Interim NJIB Loan Payable	36,005,646.00	24,984,555.00
NJIB Loan Payable	2,531,000.97	2,622,015.20
Revenue Bonds Payable	1,956,948.16	2,142,314.13
USDA Loans Payable	11,160,116.11	11,420,072.71
	<u>61,946,094.77</u>	<u>50,189,501.09</u>
Total Long-Term Liabilities		
Total Liabilities	<u>64,113,678.29</u>	<u>54,071,279.99</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>		
Related to Pensions	214,422.00	473,908.00
Related to OPEB	5,542,495.00	5,452,991.00
Related to Leases	3,590,112.10	2,548,743.57
	<u>9,347,029.10</u>	<u>8,475,642.57</u>
Total Deferred Inflows of Resources		
<b><u>NET POSITION</u></b>		
Net Investment in Capital Assets	31,725,587.55	29,572,760.38
Restricted:		
Bond Service Fund	220,496.88	218,421.88
Bond Service Reserve Fund	254,218.75	254,218.75
Unrestricted	13,835,905.63	12,466,005.32
	<u>46,036,208.81</u>	<u>42,511,406.33</u>
Total Net Position		

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

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
**Statements of Revenues, Expenses and Change in Net Position**  
**For the Fiscal Years Ended November 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Operating Revenues:		
User Charges, Service Agreements, Fees, Penalties and Provision for Doubtful Accounts	\$ 9,126,741.89	\$ 8,897,717.91
Connection Fees	1,513,700.00	727,640.00
Other Operating Revenues	178,903.78	75,480.21
	<hr/>	<hr/>
Total Operating Revenues	10,819,345.67	9,700,838.12
	<hr/>	<hr/>
Operating Expenses:		
Administration:		
Salaries and Wages	392,014.61	501,443.90
Fringe Benefits	187,332.88	130,287.46
Other Expenses	456,972.96	537,104.57
Cost of Providing Services:		
Salaries and Wages	1,670,687.32	1,415,031.78
Fringe Benefits	830,389.45	720,915.13
Other Expenses	2,184,174.38	2,303,167.63
Depreciation	1,739,329.06	1,696,794.69
	<hr/>	<hr/>
Total Operating Expenses	7,460,900.66	7,304,745.16
	<hr/>	<hr/>
Operating Income	3,358,445.01	2,396,092.96
	<hr/>	<hr/>
Non-Operating Revenue / (Expenses):		
Appropriations to Lower Township	(160,000.00)	(160,000.00)
Lease Revenue	321,094.94	296,260.59
Interest Earned on Leases	8,729.64	10,031.38
Investment Income	541,031.86	56,010.19
Interest on Debt	(370,505.34)	(383,571.87)
Interest on Interim Loans	(112,793.26)	(23,871.50)
Cost of Issuance		(11,680.00)
Cell Tower Lease Consulting Services	(61,200.37)	(36,837.32)
	<hr/>	<hr/>
Total Non-Operating Revenue / (Expenses)	166,357.47	(253,658.53)
	<hr/>	<hr/>
Change in Net Position, Before Capital Contributions	3,524,802.48	2,142,434.43
	<hr/>	<hr/>
Capital Contributions		2,519,728.34
	<hr/>	<hr/>
Change in Net Position, After Capital Contributions	3,524,802.48	4,662,162.77
	<hr/>	<hr/>
Net Position - Beginning	42,511,406.33	37,849,243.56
	<hr/>	<hr/>
Net Position - Ending	\$ 46,036,208.81	\$ 42,511,406.33
	<hr/>	<hr/>

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

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended November 30, 2023 and 2022**

	<u><b>2023</b></u>	<u><b>2022</b></u>
Cash Flows from Operating Activities:		
Receipts from Customers and Users	\$ 9,223,956.79	\$ 8,910,744.49
Receipts from Connection Fees	764,917.55	385,571.61
Payments for Other Goods or Services	(2,579,862.14)	(2,811,887.55)
Payments for Employee Services	(3,178,105.64)	(2,962,505.58)
Other Operating Receipts	<u>178,903.78</u>	<u>75,480.21</u>
Net Cash Provided by Operating Activities	<u>4,409,810.34</u>	<u>3,597,403.18</u>
Cash Flows from Non-Capital and Related Financing Activities:		
Payment to the Township of Lower	(160,000.00)	(160,000.00)
Receipts from Leasing of Cell Towers	229,099.97	283,372.28
Interest Earned on Leases	8,729.64	10,031.38
Payments for Lease Consulting Services	<u>(61,200.37)</u>	<u>(36,837.32)</u>
Net Cash Provided by Non-Capital and Related Financing Activities	<u>16,629.24</u>	<u>96,566.34</u>
Cash Flows from Capital and Related Financing Activities:		
Principal Paid on Bonds	(180,000.00)	(175,000.00)
Principal Paid on USDA Loans	(253,921.41)	(248,034.32)
Principal Paid on NJIB Loans	(88,624.11)	(88,624.11)
Interest Paid on Bonds and Loans	(372,141.60)	(384,218.05)
Cash Received From NJIB Interim Loans	15,722,506.00	17,190,257.00
Payments of Bond Issuance Costs		(11,680.00)
Acquisitions of Capital Assets	(14,393,612.04)	(24,463,284.20)
Capital Contribution	<u>2,519,728.34</u>	<u></u>
Net Cash Provided by (Used in) Capital and Related Financing Activities	<u>2,953,935.18</u>	<u>(8,180,583.68)</u>
Cash Flows from Investing Activities:		
Investment Income	<u>541,031.86</u>	<u>56,010.19</u>
Net Cash Provided by Investing Activities	<u>541,031.86</u>	<u>56,010.19</u>
Net Change in Cash and Cash Equivalents	7,921,406.62	(4,430,603.97)
Cash and Cash Equivalents, December 1	<u>11,450,722.58</u>	<u>15,881,326.55</u>
Cash and Cash Equivalents, November 30	<u><u>\$ 19,372,129.20</u></u>	<u><u>\$ 11,450,722.58</u></u>

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
**Statements of Cash Flows**  
**For the Fiscal Years Ended November 30, 2023 and 2022**

	<u><b>2023</b></u>	<u><b>2022</b></u>
Reconciliation of Operating Income to Net Cash Provided		
by Operating Activities:		
Operating Income	\$ 3,358,445.01	\$ 2,396,092.96
Adjustments to Reconcile Operating Income to Net Cash		
Provided by Operating Activities:		
Depreciation Expense	1,739,329.06	1,696,794.69
Pension Liability Expense (Benefit) - GASB 68	(2,650.00)	(160,446.00)
Other Post Employment Benefits - GASB 75	(64,695.48)	(7,807.45)
Changes in Assets and Liabilities:		
(Increase) Decrease in Consumer Accounts Receivable	79,632.37	9,912.60
(Increase) Decrease in Connection Fees Receivable	(748,782.45)	(342,068.39)
(Increase) Decrease in Prepaid Expense	(21,724.30)	(1,642.00)
Increase (Decrease) in Accounts Payable	64,565.59	12,381.61
Increase (Decrease) in Payroll Deductions Payable	(21,578.68)	9,343.44
Increase (Decrease) in Overpayments	17,582.53	3,113.98
Increase (Decrease) in Deposits and Reserves	18,443.91	17,645.04
Increase (Decrease) in Compensated Absences	(8,757.22)	(35,917.30)
Net Cash Provided by Operating Activities	<u><u>\$ 4,409,810.34</u></u>	<u><u>\$ 3,597,403.18</u></u>

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

**TOWNSHIP OF LOWER  
MUNICIPAL UTILITIES AUTHORITY**  
Notes to Financial Statements  
For the Fiscal Years Ended November 30, 2023 and 2022

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**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

**Reporting Entity**

The Township of Lower Municipal Utilities Authority is a public body corporate and politic of the State of New Jersey and was originally created by an ordinance adopted on July 24, 1968 by the governing body of the Township of Lower (the "Township"), in the County of Cape May, State of New Jersey.

The Authority was created for the purpose of acquiring, constructing, maintaining and operating water facilities for accumulating, supplying, and distributing water, and acquiring, constructing, maintaining, improving, and operating sewage facilities for collecting, treating, purifying and disposing of sewage and other wastes.

**Component Unit**

In evaluating how to define the Authority for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 14, *The Financial Reporting Entity*, as amended. Blended component units, although legally separate entities, are in-substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and / or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the Authority has no component units and is a component unit of the Township of Lower, in the County of Cape May, State of New Jersey.

**Basis of Presentation**

The financial statements of the Authority have been prepared in accordance with accounting principles generally accepted in the United States of America applicable to enterprise funds of State and Local Governments on a going concern basis. The focus of enterprise funds is the measurement of economic resources, that is, the determination of operating income, changes in net position (or cost recovery), financial position and cash flows. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles.



**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Basis of Presentation (Cont'd)**

The Authority is a single enterprise fund and maintains its records on the accrual basis of accounting. Enterprise funds account for activities (i) that are financed with debt that is secured solely by a pledge of the net revenues from fees and charges of the activity; or (ii) that are required by law or regulations that the activity's cost of providing services, including capital cost (such as depreciation or debt service), be recovered with fees and charges, rather than with taxes or similar revenues; or (iii) that the pricing policies of the activity establish fees and charges designed to recover its costs, including capital costs (such as depreciation or debt service). Under this method, revenues are recorded when earned and expenses are recorded when the related liability is incurred.

The transactions of the Authority are divided into two separate activities (water and sewer) within the enterprise fund type. Each activity is accounted for by providing a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflow of resources, net position, revenues and expenditures.

**Basis of Accounting**

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

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

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

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

**Budgets and Budgetary Accounting**

The Authority must adopt an annual budget in accordance with N.J.A.C. 5:31-2. N.J.A.C. 5:31-2 requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt not later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the fiscal year. The budget is adopted on the accrual basis of accounting with provisions for cash payments for bond principal. Depreciation expense, bond issue costs, cell tower lease consulting fees, deferred loss on defeasance and the annual required contribution for the Authority's pension and other postemployment benefits (OPEB) plan are not included in the budget appropriations.

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Budgets and Budgetary Accounting (Cont'd)**

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

**Cash, Cash Equivalents and Investments**

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

New Jersey governmental units 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 in the New Jersey Cash Management Fund. N.J.S.A. 40A:5-15.1 provides a list of investments which may be purchased by New Jersey governmental units. These permissible investments generally include bonds or other obligations of the United States of America or obligations guaranteed by the United States of America, government money market mutual funds, any obligation that a federal agency or a federal instrumentality has issued in accordance with an act of Congress, bonds or other obligations of the local unit or bonds or other obligations of the school district of which the local unit is a part or within which the school district is located, bonds or other obligations approved by the Division of Local Government Services in the Department of Community Affairs for investment by local units, local government investment pools, deposits with the State of New Jersey Cash Management Fund, and agreements for the purchase of fully collateralized securities with certain provisions. In addition, other State statutes permit investments in obligations issued by local authorities and other state agencies.

N.J.S.A. 17:9-41 et seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Governmental Unit Deposit Protection Act ("GUDPA"), a multiple financial institutional collateral pool, which was enacted in 1970 to protect governmental units from a loss of funds on deposit with a failed banking institution in New Jersey. Public depositories include State or federally chartered banks, savings banks or associations located in or having a branch office in the State of New Jersey, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of governmental units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the amount of their deposits to the governmental units.

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

**Inventories**

Inventory consists principally of chemicals for the treatment of water, sewerage and sludge and is valued at cost. The Authority has determined that the inventories are immaterial and are not recorded in the financial statements.

**Prepaid Expenses**

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

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Lease Receivable**

Lease receivables recorded on the statements of net position represents a contract that conveys control of the right to use the Authority's (lessor) nonfinancial asset. At the commencement of the lease term, the lessor recognizes a lease receivable and a deferred inflow of resources. The lease receivable is measured at the present value of lease payments expected to be received during the lease term.

**Capital Assets**

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at actual cost. Donated capital assets are recorded at their fair market value as of the date received.

Expenditures, which enhance the asset or significantly extend the useful life of the asset, are considered improvements and are added to the capital asset's currently capitalized cost. The cost of normal repairs and maintenance are not capitalized. Costs incurred during construction of an asset are recorded as construction in progress. In the fiscal year that the project is completed, these costs are transferred to Capital Assets - Completed. Interest costs incurred during construction are capitalized into the cost of the asset.

Lease assets are measured on the statements of net position at the amount of the initial measurement of the related lease liability, plus any payments made to the lessor at or before the commencement of the lease term and certain direct costs.

Subscription assets are measured on the statements of net position at the amount of the initial measurement of the related subscription liability, plus any payments associated with the arrangement made to the vendor at the commencement of the subscription term and capitalizable initial implementation costs.

Expenditures are capitalized when they meet the following requirements:

- 1) Cost of \$2,500.00 or more
- 2) Useful life of more than one year
- 3) Asset is not affected by consumption

**Amortization and Depreciation**

Amortization on lease and subscription assets and depreciation on other capital assets is computed using the straight-line method over the shorter of the lease term or the following useful lives:

Land and Improvements	20 years
Buildings and Improvements	50 years
Machinery and Equipment	5 to 15 years
Infrastructure	50 years
Other	5 to 15 years
Subscription Assets	2 to 10 years

**Bond and Loan Premiums**

Bond and loan premiums arising from the issuance of long-term debt are amortized over the life of the bonds and loans, in a systematic and rational method, from the issue date to maturity as a component of interest expense. Bond and loan premiums are presented as an adjustment of the face amount on the bonds and loans.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Deferred Outflows and Deferred Inflows of Resources**

The statements of net position reports separate sections for deferred outflows of resources and deferred inflows of resources. Deferred outflows of resources, reported after total assets, represents a reduction of net position that applies to a future period(s) and will be recognized as an outflow of resources (expense) at that time. Deferred inflows of resources, reported after total liabilities, represents an acquisition of net position that applies to a future period(s) and will be recognized as an inflow of resources (revenue) at that time.

Transactions are classified as deferred outflows of resources and deferred inflows of resources only when specifically prescribed by the Governmental Accounting Standards Board (GASB) standards. The Authority is required to report the following as deferred outflows of resources and deferred inflows of resources: leases, loss on defeasance of debt, defined benefit pension plans and postemployment benefit plans.

**Compensated Absences**

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

**Unearned Revenue**

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

**Pensions**

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

**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB (benefit) expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan (the Plan) and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Net Position**

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

**Net Investment in Capital Assets** - This component of net position consists of capital assets, net of accumulated depreciation or amortization of intangible capital assets, reduced, by the outstanding balances of any bonds, notes or other borrowings that are attributable to the acquisition, construction, or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position. If there are significant unspent related debt proceeds or deferred inflows of resources at fiscal year-end, the portion of the debt attributable to the unspent proceeds is not included in the calculation of net investment in capital assets. Instead, that portion of the debt or deferred inflows of resources should be included in the same net position component as the unspent amount.

**Restricted** - Net position is reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the Authority or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

**Unrestricted** - This component of net position consists of net position that does not meet the definition of "restricted" or "net investment in capital assets." This component includes net position that may be allocated for specific purposes by the Board.

**Income Taxes**

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

**Reclassifications**

Certain fiscal year 2022 amounts have been reclassified to conform to fiscal year 2023 presentation.

**Operating and Non-Operating Revenues and Expenses**

Operating revenues include all revenues derived from water treatment and sewer collection facilities (i.e., water and sewer rents and connection fees) and other revenue sources. Non-operating revenues principally consist of water tower lease revenue and lease interest income, and investment income.

Operating expenses include expenses associated with the operation, maintenance and repair of the water treatment and sewer collection facilities and general administrative expenses. Non-operating expenses principally include expenses attributable to the Authority's interest on funded debt, debt issue costs, cell tower lease consulting services, and appropriations to the Township of Lower.

**Accounting 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Policies****Recently Issued and Adopted Accounting Pronouncements**

Statement No. 91, *Conduit Debt Obligations*. The objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. The adoption of this Statement had no impact on the Authority's financial statements.

Statement 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*. The primary objective of this Statement is to improve financial reporting by addressing issues related to public-private and public-public partnership arrangements (PPPs). As used in this Statement, a PPP is an arrangement in which a government (the transferor) contracts with an operator (a governmental or nongovernmental entity) to provide public services by conveying control of the right to operate or use a nonfinancial asset, such as infrastructure or other capital asset (the underlying PPP asset), for a period of time in an exchange or exchange-like transaction. This Statement also provides guidance for accounting and financial reporting for availability payment arrangements (APAs). As defined in this Statement, an APA is an arrangement in which a government compensates an operator for services that may include designing, constructing, financing, maintaining, or operating an underlying nonfinancial asset for a period of time in an exchange or exchange-like transaction. The adoption of this Statement had no impact on the Authority's financial statements.

Statement 96, *Subscription-Based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The adoption of this Statement had no impact on the Authority's financial statements.

Statement No. 99, *Omnibus 2022*. The objectives of this Statement are to enhance comparability in accounting and financial reporting and to improve the consistency of authoritative literature by addressing (1) practice issues that have been identified during implementation and application of certain GASB Statements and (2) accounting and financial reporting for financial guarantees. The adoption of this Statement had no impact on the Authority's financial statements.

**Recently Issued Accounting Pronouncements**

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

Statement No. 100, *Accounting Changes and Error Corrections – An Amendment of GASB Statement No. 62*. The objective of this Statement is to enhance accounting and financial reporting requirements for accounting changes and error corrections to provide more understandable, reliable, relevant, consistent and comparable information for making decisions or assessing accountability. This Statement will become effective for the Authority in the fiscal year ending November 30, 2024. Management does not expect this Statement will have an impact on the financial statements.

Statement No. 101, *Compensated Absences*. The objective of this Statement is to better meet the information needs of financial statements users by updating the recognition and measurement guidance for compensated absences. That objective is achieved by aligning the recognition and measurement guidance under a unified model and by amending certain previously required disclosures. This Statement will become effective for the Authority in the fiscal year ending November 30, 2025. Management has not yet determined the impact of this Statement on the financial statements.

**Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****Impact of Recently Issued Accounting Policies (Cont'd)****Recently Issued Accounting Pronouncements (Cont'd)**

Statement No. 102, *Certain Risk Disclosures*. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. That objective is achieved by requiring a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. The Statement will become effective for the Authority in the fiscal year ending November 30, 2025. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 103, *Financial Reporting Model Improvements*. The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. This Statement also addresses certain application issues. That objective is achieved by improving the quality of the analysis of changes from the prior year, which will enhance the relevance of that information. They also will provide clarity regarding what information should be presented in MD&A. The Statement will become effective for the Authority in the fiscal year ending November 30, 2026. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 104, *Disclosure of Certain Capital Assets*. The objective of this Statement is to provide users of government financial statements with essential information about certain types of capital assets. This Statement also requires additional disclosures for capital assets held for sale. That objective is achieved by improving financial reporting by providing users of financial statements with essential information about certain types of capital assets in order to make informed decisions and assess accountability. Additionally, the disclosure requirements will improve consistency and comparability between governments. The Statement will become effective for the Authority in the fiscal year ending November 30, 2026. Management has not yet determined the impact of this Statement on the financial statements.

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY****Compliance with Finance Related Legal and Contractual Provisions**

Management of the Authority is unaware of any material violations of finance related legal and contractual provisions.

**General Bond Resolution**

The Authority is subject to the provisions and restrictions of the General Bond Resolution adopted December 4, 1972 as amended and supplemented (collectively the "Bond Resolution"). A summary of the activities of each account created by the Bond Resolution is covered below.

**Revenue Account** - All money collected by the Authority for service charges or from any other source for operating, maintaining or repairing the system is deposited in this account. The Trustee, on the first day of each month in any fiscal year and within ten days thereafter, after reserving the amount shown by the annual budget to be required for operating expenses for the period of three consecutive calendar months beginning on said date, shall make payments into the other accounts to satisfy bond resolution or operating requirements.

**Bond Service Account** - The balance on deposit must be sufficient to enable the Trustee to withdraw amounts equal to interest due on bonds and principal amount maturing on bonds. At November 30, 2023, the balance in the bond service account meets the requirements of the Bond Resolution.

**Note 2: STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (CONT'D)****General Bond Resolution (Cont'd)**

**Sinking Fund Account** - The amount of funds on deposit must be sufficient to meet the aggregate amount of all sinking fund installments payable during the next ensuing fiscal year.

**Bond Reserve Account** - The amount of funds on deposit must be maintained at a level equal to the Maximum Annual Debt Service to ensure funds are available for payment of Debt Service. At November 30, 2023, the balance in the bond reserve account meets the requirements of the Bond Resolution.

**Construction Account** - The Construction Fund is held by the Trustee and is used to pay the cost of the project and is pledged, pending application to such costs, for the security of the payment of principal and interest on the Revenue Bonds.

**Note 3: DETAIL NOTES - ASSETS****Cash and Cash Equivalents**

**Custodial Credit Risk Related to Deposits** - Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, N.J.S.A. 17:9-41 et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000.00 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds, salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule on the following page.

As of November 30, 2023 and 2022, the Authority's bank balances were exposed to custodial credit risk as follows:

	November 30,	
	<u>2023</u>	<u>2022</u>
Insured by FDIC and GUDPA	\$ 5,648,198.29	\$ 6,638,035.40
Uninsured and Uncollateralized	272,861.46	147,901.19
Invested in Goldman Sachs Money Market Funds (Triple A Government Money Market Funds)	8,400,701.72	4,664,552.01
	<u>\$ 14,321,761.47</u>	<u>\$ 11,450,488.60</u>

**New Jersey Asset and Rebate Management Program (NJ/ARM)** - During the year ended November 30, 2023, the Authority participated in the New Jersey Asset & Rebate Management Program. The program was created under the Interlocal Services Act to make available comprehensive investment management, accounting and rebate calculation services. The Program currently includes the Joint Account and the NJ/TERM Series. 100% of the Authority's funds are in the Joint Account. Deposits and investments in the NJ/ARM Joint Account include cash and cash equivalents, government agency and instrumentality obligations, and repurchase agreements. Investments in the Joint Account have AA+ or A-1+ ratings from Standard & Poor's. Shares of the Joint Account are available to be redeemed upon proper notice without restrictions under normal operating conditions. Therefore, the Authority classified such funds as cash equivalents. As of November 30, 2023, the Authority's deposits with NJ/ARM, which were not covered by FDIC or GUDPA, were \$5,106,536.02.



**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Service Fees**

The following is a three-year comparison of service charge billings and collections for all types of accounts maintained by the Authority:

<u>Fiscal Year</u>		<u>Beginning Balance</u>	<u>Billings</u>	<u>Total Collections</u>	<u>Percentage of Collections</u>
2023	\$	1,051,692.43	\$ 9,126,741.89	\$ 9,206,374.26	90.45%
2022		1,061,605.03	8,897,717.91	8,907,630.51	89.44%
2021		832,962.88	8,658,156.86	8,429,514.71	88.81%

**Accounts Receivable**

Accounts receivable at November 30, 2023 and November 30, 2022 consisted of service fees, interest and penalties on delinquent consumer accounts, connection fees, lease receivable, reimbursements from New Jersey Infrastructure Bank for costs related to capital projects, and miscellaneous revenues receivable. For the year ended November 30, 2022, the Authority also recorded an amount receivable from Lower Cape May County Regional Schools pursuant to a Water Supply and Distribution Agreement, under the terms of which the Authority will design and construct and place into service an extension of the Authority's Water System to serve the Schools with clean, safe, drinking water with all costs of such project be borne by the Lower Cape May County Regional Schools. The amount due from Lower Cape May County Regional Schools as of November 30, 2022 is recorded as contributed capital on the 2022 Statements of Revenues, Expenses and Change in Net Position. All receivables are considered collectible in full within the next year, except for service fees and interest and penalties for which the management established an allowance for uncollectible accounts receivable.

As of November 30, 2023 and 2022, the Authority had the following accounts receivable:

<b>Description</b>	<u>November 30,</u>	
	<u>2023</u>	<u>2022</u>
Service Fees	\$ 962,860.56	\$ 1,059,364.77
Interest and Penalties on Delinquent Consumer Accounts	39,879.89	29,881.69
Connection Fees	1,356,158.12	607,375.67
Leases	3,678,459.27	2,562,595.77
Loans Receivable from New Jersey Infrastructure Bank	3,092,883.00	7,794,298.00
Due from Lower Cape May County Regional Schools		2,519,728.34
Miscellaneous Revenue	17,500.00	
	<u>9,147,740.84</u>	<u>14,573,244.24</u>
Less: Allowance for Doubtful Accounts	<u>(30,680.39)</u>	<u>(37,554.03)</u>
	<u>\$ 9,117,060.45</u>	<u>\$ 14,535,690.21</u>

**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Leases Receivable**

The Authority has entered into multiple agreements with various cellular service providers for the use of the Authority's real property for transmitting and receiving wireless communications. The leases commenced between 2007 and 2023 and range between 18 months and 20 years. The terms of each agreement include a fixed monthly payment with annual increases.

The following is a summary of the leases receivable for the fiscal year ended November 30, 2023 and November 30, 2022:

Description	Balance December 1, 2022	Additions	Deletions	Balance November 30, 2023	Current Portion
Cell Tower Leases	\$ 2,562,595.77	\$ 1,362,463.47	\$ 246,599.97	\$ 3,678,459.27	\$ 297,220.40

Description	Balance December 1, 2021	Additions	Deletions	Balance November 30, 2022	Current Portion
Cell Tower Leases	\$ 1,902,842.26	\$ 943,125.79	\$ 283,372.28	\$ 2,562,595.77	\$ 246,599.97

Deferred inflows of resources related to leases receivable are amortized and recognized as revenue on a straight-line basis over the life of the lease.

Future lease revenues, in total, as of November 30, 2023 are as follows:

Year Ended November 30,	Principal	Interest
2024	\$ 297,220.40	\$ 10,521.60
2025	240,061.10	8,498.16
2026	245,350.63	8,685.41
2027	224,239.06	7,938.06
2028	216,570.83	7,666.61
2029-2033	1,053,582.23	37,296.82
2034-2038	1,061,027.07	37,560.35
2039-2041	340,407.95	12,050.45
	<u>\$ 3,678,459.27</u>	<u>\$ 130,217.46</u>

During fiscal year ended November 30, 2023, the Authority recognized \$246,599.97 as a reduction of lease receivable and \$8,729.64 in interest revenue related to leases. In addition, \$321,094.94 was recognized as both lease revenue and a reduction in deferred inflows of resources related to leases.

During fiscal year ended November 30, 2022, the Authority recognized \$283,372.28 as a reduction of lease receivable and \$10,031.38 in interest revenue related to leases. In addition, \$296,260.59 was recognized as both lease revenue and a reduction in deferred inflows of resources related to leases.

**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Capital Assets**

During the fiscal year ended November 30, 2023, the following changes in Capital Assets occurred:

	<u>Balance</u> <u>Dec. 1, 2022</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>Nov. 30, 2023</u>
Capital Assets, not being depreciated:					
Land and Improvements	\$ 97,234.00				\$ 97,234.00
Construction in Progress	29,945,003.76	\$12,450,145.15	\$ (2,270,354.27)		40,124,794.64
Total Capital Assets not being depreciated	30,042,237.76	12,450,145.15	(2,270,354.27)	\$ -	40,222,028.64
Capital Assets, being depreciated:					
Buildings and Improvements	17,835,293.27				17,835,293.27
Machinery and Equipment	7,159,938.31		285,532.03		7,445,470.34
Infrastructure	68,263,789.12		1,984,822.24		70,248,611.36
Other	14,835.00				14,835.00
Total Capital Assets being depreciated	93,273,855.70	-	2,270,354.27	-	95,544,209.97
Less Accumulated Depreciation	49,801,153.78	1,739,329.06	-	-	51,540,482.84
Total Capital Assets being depreciated, Net	43,472,701.92	(1,739,329.06)	2,270,354.27	-	44,003,727.13
Total Capital Assets, Net	\$73,514,939.68	\$10,710,816.09	\$ -	\$ -	\$84,225,755.77

During the fiscal year ended November 30, 2022, the following changes in Capital Assets occurred:

	<u>Balance</u> <u>Dec. 1, 2021</u>	<u>Additions</u>	<u>Transfers</u>	<u>Deletions</u>	<u>Balance</u> <u>Nov. 30, 2022</u>
Capital Assets, not being depreciated:					
Land and Improvements	\$ 97,234.00				\$ 97,234.00
Construction in Progress	5,374,414.59	\$25,732,918.58	\$ (1,162,329.41)		29,945,003.76
Total Capital Assets not being depreciated	5,471,648.59	25,732,918.58	(1,162,329.41)	\$ -	30,042,237.76
Capital Assets, being depreciated:					
Buildings and Improvements	17,784,230.91		51,062.36		17,835,293.27
Machinery and Equipment	6,769,619.92		390,318.39		7,159,938.31
Infrastructure	67,542,840.46		720,948.66		68,263,789.12
Other	14,835.00				14,835.00
Total Capital Assets being depreciated	92,111,526.29	-	1,162,329.41	-	93,273,855.70
Less Accumulated Depreciation	48,104,359.09	1,696,794.69	-		49,801,153.78
Total Capital Assets being depreciated, Net	44,007,167.20	(1,696,794.69)	1,162,329.41	-	43,472,701.92
Total Capital Assets, Net	\$49,478,815.79	\$24,036,123.89	\$ -	\$ -	\$73,514,939.68

**Note 3: DETAIL NOTES – ASSETS (CONT'D)****Capital Assets (Cont'd)**

Depreciation expense by major class of capital assets is:

	<b>Fiscal Year Ended</b>	
	<b><u>Nov. 30, 2023</u></b>	<b><u>Nov. 30, 2022</u></b>
Buildings and Improvements	\$ 271,395.06	\$ 271,384.49
Machinery and Equipment	339,572.24	313,806.33
Infrastructure	1,127,349.51	1,110,591.62
Other	1,012.25	1,012.25
	<b><u>\$ 1,739,329.06</u></b>	<b><u>\$ 1,696,794.69</u></b>

**Note 4: DETAIL NOTES – DEFERRED OUTFLOWS OF RESOURCES****Deferred Loss on Defeasance of Debt**

On May 30, 2012, the Authority issued Revenue Refunding Bonds in the amount of \$3,725,000.00 to advance refund outstanding principal amount of \$3,520,000.00 of the Revenue Bonds Series 2003B. The advance refunding resulted in a difference between the reacquisition price and the net carrying amount of the old debt of \$122,121.20. This difference, reported in the accompanying financial statements as a deferred outflow of resources, is being charged to operations as a component of interest expense over the life of the refunding bonds using the bonds outstanding method. As of November 30, 2023 and 2022, the amount deferred was \$28,873.75 and \$34,540.17, respectively.

**Note 5: DETAIL NOTES – LIABILITIES****Long-term Liabilities**

During the fiscal year ended November 30, 2023, the following changes occurred in long-term obligations:

	<u>Balance Dec. 1, 2022</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Nov. 30, 2023</u>	<u>Due Within One Year</u>
<b>Bonds and Loans Payable:</b>					
Revenue Refunding Bonds, Series 2012	\$ 2,320,000.00		\$ 180,000.00	\$ 2,140,000.00	\$ 185,000.00
NJIB Loans	2,672,851.04		88,624.11	2,584,226.93	88,624.11
NJIB Interim Loan CFP-20-1	15,861,709.00	\$ 9,077,008.00		24,938,717.00	
NJIB Interim Loan CFP-21-1	9,122,846.00	1,944,083.00		11,066,929.00	
USDA Loan - 2010	1,564,504.00		32,126.00	1,532,378.00	33,423.00
USDA Loan - 2013	6,879,270.63		158,794.64	6,720,475.99	162,186.95
USDA Loan - 2017	3,230,219.48		63,000.77	3,167,218.71	64,346.64
Add:					
Premiums on Bonds	2,314.13		365.97	1,948.16	
Premiums on Loans	37,788.27		2,390.12	35,398.15	
<b>Total Bonds and Loans Payable</b>	<b>41,691,502.55</b>	<b>11,021,091.00</b>	<b>525,301.61</b>	<b>52,187,291.94</b>	<b>533,580.70</b>
<b>Other Liabilities:</b>					
Compensated Absences	180,118.38	226,384.18	235,141.40	171,361.16	26,456.63
Net OPEB Liability	5,775,580.00	11,727,920.00	10,758,811.00	6,744,689.00	
Net Pension Liability	3,006,756.00	1,322,083.00	1,052,034.00	3,276,805.00	
Accrued Liability - Related to Pensions	104,686.00	125,985.00	104,686.00	125,985.00	
<b>Total Other Liabilities</b>	<b>9,067,140.38</b>	<b>13,402,372.18</b>	<b>12,150,672.40</b>	<b>10,318,840.16</b>	<b>26,456.63</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 50,758,642.93</b>	<b>\$ 24,423,463.18</b>	<b>\$ 12,675,974.01</b>	<b>\$ 62,506,132.10</b>	<b>\$ 560,037.33</b>

During the fiscal year ended November 30, 2022, the following changes occurred in long-term obligations:

	<u>Balance Dec. 1, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance Nov. 30, 2022</u>	<u>Due Within One Year</u>
<b>Bonds and Loans Payable:</b>					
Revenue Refunding Bonds, Series 2012	\$ 2,495,000.00		\$ 175,000.00	\$ 2,320,000.00	\$ 180,000.00
NJIB Loans	2,761,475.15		88,624.11	2,672,851.04	88,624.11
NJIB Interim Loan CFP-20-1	4,300,726.00	\$ 11,560,983.00		15,861,709.00	
NJIB Interim Loan CFP-21-1	384,146.00	8,738,700.00		9,122,846.00	
USDA Loan - 2010	1,595,382.00		30,878.00	1,564,504.00	32,126.00
USDA Loan - 2013	7,034,743.91		155,473.28	6,879,270.63	158,794.64
USDA Loan - 2017	3,291,902.52		61,683.04	3,230,219.48	63,000.76
Add:					
Premiums on Bonds	2,707.70		393.57	2,314.13	
Premiums on Loans	40,230.72		2,442.45	37,788.27	
<b>Total Bonds and Loans Payable</b>	<b>21,906,314.00</b>	<b>20,299,683.00</b>	<b>514,494.45</b>	<b>41,691,502.55</b>	<b>522,545.51</b>
<b>Other Liabilities:</b>					
Compensated Absences	216,035.68	220,962.73	256,880.03	180,118.38	46,596.33
Net OPEB Liability	5,798,270.00	10,277,644.00	10,300,334.00	5,775,580.00	
Net Pension Liability	2,278,864.00	2,034,644.00	1,306,752.00	3,006,756.00	
Accrued Liability - Related to Pensions	93,868.00	104,686.00	93,868.00	104,686.00	
<b>Total Other Liabilities</b>	<b>8,387,037.68</b>	<b>12,637,936.73</b>	<b>11,957,834.03</b>	<b>9,067,140.38</b>	<b>46,596.33</b>
<b>Total Long-Term Liabilities</b>	<b>\$ 30,293,351.68</b>	<b>\$ 32,937,619.73</b>	<b>\$ 12,472,328.48</b>	<b>\$ 50,758,642.93</b>	<b>\$ 569,141.84</b>

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Revenue Refunding Bonds Payable**

At November 30, 2023, the Authority has the following bonds payable:

Revenue Refunding Bonds, Series 2012 - On May 30, 2012, the Authority issued \$3,725,000.00 in Revenue Refunding Bonds, with interest rates ranging from 2.375% to 3.000%. The purpose of the bonds is to provide funds to advance refund all or a portion of the outstanding principal amount of Revenue Bonds, Series 2003B and to pay for the costs of issuance. The final maturity of the bonds is December 1, 2032. The balance remaining at November 30, 2023 is \$2,140,000.00.

The following schedule reflects the Debt Service maturities for Revenue Refunding Bonds Payable:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 185,000.00	\$ 67,987.51	\$ 252,987.51
2025	190,000.00	61,893.76	251,893.76
2026	195,000.00	55,637.51	250,637.51
2027	205,000.00	49,137.51	254,137.51
2028	210,000.00	42,393.76	252,393.76
2029-2033	1,155,000.00	100,490.63	1,255,490.63
	2,140,000.00	\$ 377,540.68	\$ 2,517,540.68
Current Maturities	(185,000.00)		
Premium on Bonds	1,948.16		
	\$ 1,956,948.16		

**New Jersey Infrastructure Bank (NJIB) Loans**

On May 13, 2020, the Authority closed on loans from the New Jersey Environmental Infrastructure Bank totaling \$715,000.00 from the Trust and \$2,184,182.00 from the Fund. The loan proceeds were used to permanently finance an interim loan from Construction Financing Program (CFP)-18-1, which was issued to fund the East Villas Water Expansion Project Phase II. The Fund Loan is a non-interest bearing loan with its semi-annual principal payments due August 1 and February 1, with a final maturity of August 1, 2049. The Trust Loan carries interest rates from 2.125% to 5.000%, with a final maturity of August 1, 2049.

The following schedule reflects the Debt Service maturities for NJIB Loans:

<u>Fiscal Year</u>	<u>Fund Principal</u>	<u>Trust Principal</u>	<u>Total Principal</u>	<u>Interest</u>	<u>Total</u>
2024	\$ 73,624.11	\$ 15,000.00	\$ 88,624.11	\$ 21,556.26	\$ 110,180.37
2025	73,624.11	15,000.00	88,624.11	20,806.26	109,430.37
2026	73,624.11	20,000.00	93,624.11	20,056.26	113,680.37
2027	73,624.11	20,000.00	93,624.11	19,056.26	112,680.37
2028	73,624.11	20,000.00	93,624.11	18,056.26	111,680.37
2029-2033	368,120.55	110,000.00	478,120.55	76,150.04	554,270.59
2034-2038	368,120.55	125,000.00	493,120.55	59,781.26	552,901.81
2039-2043	368,120.55	145,000.00	513,120.55	42,806.26	555,926.81
2044-2048	368,120.55	165,000.00	533,120.55	20,550.00	553,670.55
2049	73,624.18	35,000.00	108,624.18	1,050.00	109,674.18
	\$ 1,914,226.93	\$ 670,000.00	2,584,226.93	\$ 299,868.86	\$ 2,884,095.79
		Current Maturities	(88,624.11)		
		Premium on Loans	35,398.15		
			\$ 2,531,000.97		

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****New Jersey Infrastructure Bank (NJIB) Construction Financing Program (CFP) Loans**

On April 21, 2021, the Authority closed on a construction financing program (CFP) interim loan (S340810-05) from the New Jersey Infrastructure Bank in the amount of \$17,100,000.00. The loan consists of 50% DEP interest-free funding and 50% I-Bank market rate financing. The maturity date of the loan is June 30, 2024 or the date of closing for the anticipated permanent financing program of NJIB. On October 31, 2022, the interim loan was increased to \$28,783,951.00. The loan proceeds held by NJIB are being used to fund the costs of the vacuum sewer expansion project. As of November 30, 2023 and 2022, cumulative expenditures under this program were \$24,938,717.00 and \$15,861,709.00, respectively.

On June 11, 2021, the Authority closed on a construction financing program (CFP) interim loan (0505002-004) from the New Jersey Infrastructure Bank in the amount of \$8,500,000.00. The loan consists of 50% DEP interest-free funding and 50% I-Bank market rate financing. The maturity date of the loan is June 30, 2025 or the date of closing for the anticipated permanent financing program of NJIB. On October 31, 2022, the interim loan was increased to \$10,778,546.00. The loan proceeds held by NJIB are being used to fund the costs of installing water main and extending water service connections to the Del Haven area in Middle Township. As of November 30, 2023 and 2022, cumulative expenditures under this program were \$11,066,929.00 and \$9,122,846.00, respectively.

**USDA Loans**

At November 30, 2023, the Authority has the following USDA loans payable:

\$1,875,000.00 principal amount of USDA Loans dated 2010, due in semi-annual installments beginning August 25, 2010, through February 25, 2050, bearing interest at a rate of 4% per annum. The balance remaining as of November 30, 2023 is \$1,532,378.00.

\$8,167,000.00 principal amount of USDA Loans dated 2013, due in semi-annual installments beginning March 19, 2014, through September 19, 2053, bearing interest at a rate of 2.125% per annum. The balance remaining as of November 30, 2023 is \$6,720,475.99.

\$3,526,000.00 principal amount of USDA Loans dated 2017, due in semi-annual installments beginning April 13, 2018, through October 13, 2057, bearing interest at a rate of 2.125% per annum. The balance remaining as of November 30, 2023 is \$3,167,218.71.

The following schedule reflects the Debt Service maturities for USDA Loans:

<b><u>Fiscal Year</u></b>	<b><u>Principal</u></b>	<b><u>Interest</u></b>	<b><u>Total</u></b>
2024	\$ 259,956.59	\$ 269,880.61	\$ 529,837.20
2025	266,147.00	263,690.90	529,837.90
2026	272,493.79	257,343.25	529,837.04
2027	279,004.18	250,833.26	529,837.44
2028	285,680.42	244,156.38	529,836.80
2029-2033	1,534,737.40	1,114,450.58	2,649,187.98
2034-2038	1,729,568.93	919,617.55	2,649,186.48
2039-2043	1,951,323.17	697,865.09	2,649,188.26
2044-2048	2,204,134.32	445,053.32	2,649,187.64
2049-2053	2,136,683.18	177,330.47	2,314,013.65
2054-2057	500,343.72	24,191.84	524,535.56
	11,420,072.70	\$ 4,664,413.25	\$ 16,084,485.95
Current Maturities	(259,956.59)		
	<u>\$ 11,160,116.11</u>		

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Compensated Absences**

The Authority accounts for compensated absences (e.g., unused vacation, sick leave) as directed by Governmental Accounting Standards Board Statement No. 16, *Accounting for Compensated Absences*. A liability for compensated absences attributable to services already rendered and not contingent on a specific event that is outside the control of the employer and employee is accrued as employees earn the rights to the benefits.

Authority employees earn sick and vacation time depending on their length of service. Employees are permitted to carryover the earned and unused sick and vacation time to future periods and upon termination may receive payment for any accrued time. Employees are compensated for accumulated sick leave upon retirement or resignation at their then current hourly rate of pay times the number of days accumulated, up to a maximum of \$15,000.00. Vacation days not used during the year may be carried forward for one year. Upon separation from the Authority, the employee will be paid for all accrued vacation time at their then current hourly rate. The accrued liability for accumulated sick leave and vacation time at November 30, 2023 and 2022 is estimated at \$171,361.16 and \$180,118.38, respectively.

**Net Pension Liability**

For details on the net pension liability, see the Pension Plans section of this note that follows. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

**Net OPEB Liability**

For details on other postemployment benefits, see the Postemployment Benefits Other Than Pensions (OPEB) section of this note that follows. The Authority's contributions to the postemployment benefits plan are budgeted and paid as they are due.

**Pension Plans**

A substantial number of the Authority's employees participate in the Public Employees' Retirement System ("PERS") which is administered by the New Jersey Division of Pensions and Benefits. In addition, Authority employees may participate in the Defined Contribution Retirement Program ("DCRP"), which is a defined contribution pension plan. This Plan is administered by Empower (formerly Prudential Financial) for the New Jersey Division of Pensions and Benefits. Each Plan has a Board of Trustees that is primarily responsible for its administration. As a local participation employer of these pension plans, the Authority is referred to as "Employer" throughout this note. The Division issues a publicly available financial report that includes financial statements, required supplementary information and detailed information about the PERS plan's fiduciary net position which can be obtained by writing to or at the following website:

State of New Jersey  
Division of Pensions and Benefits  
P.O. Box 295  
Trenton, New Jersey 08625-0295  
<https://www.state.nj.us/treasury/pensions/financial-reports.shtml>

**General Information about the Pension Plans****Plan Descriptions**

**Public Employees' Retirement System** - The Public Employees' Retirement System is a cost-sharing multiple-employer defined benefit pension plan, which was established as of January 1, 1955, under the provisions of N.J.S.A. 43:15A. The PERS' designated purpose is to provide retirement, death, and disability benefits to certain qualified members. Membership in the PERS is mandatory for substantially all full-time employees of the Employer, provided the employee is not required to be a member of another state-administered retirement system or other state pensions fund or local jurisdiction's pension fund. The PERS' Board of Trustees is primarily responsible for the administration of the PERS.



**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Plan Descriptions (Cont'd)**

**Defined Contribution Retirement Program** - The Defined Contribution Retirement Program is a multiple-employer defined contribution pension fund established on July 1, 2007 under the provisions of P.L. 2007, c. 92 and P.L. 2007, c. 103, and expanded under the provisions of P.L. 2008, c. 89 and P.L. 2010, c. 1. The DCRP is a tax-qualified defined contribution money purchase pension plan under Internal Revenue Code (IRC) § 401(a) et seq., and is a "governmental plan" within the meaning of IRC § 414(d). The DCRP provides retirement benefits for eligible employees and their beneficiaries. Individuals covered under DCRP are state or local officials who are elected or appointed on or after July 1, 2007; employees enrolled in PERS on or after July 1, 2007, who earn salary in excess of established "maximum compensation" limits; employees enrolled in New Jersey State Police Retirement System (SPRS) or the Police and Firemen's Retirement System (PFRS) after May 21, 2010, who earn salary in excess of established "maximum compensation" limits; employees otherwise eligible to enroll in PERS on or after November 2, 2008, who do not earn the minimum annual salary for tier 3 enrollment but who earn salary of at least \$5,000.00 annually; and employees otherwise eligible to enroll in PERS after May 21, 2010 who do not work the minimum number of hours per week required for tiers 4 or 5 enrollment, but who earn salary of at least \$5,000.00 annually.

**Vesting and Benefit Provisions**

**Public Employees' Retirement System** - The vesting and benefit provisions are set by N.J.S.A. 43:15A. The PERS provides retirement, death and disability benefits. All benefits vest after 10 years of service.

The following represents the membership tiers for PERS:

**Tier Definition**

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

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Vesting and Benefit Provisions (Cont'd)**

**Defined Contribution Retirement Program** - Eligible members are provided with a defined contribution retirement plan intended to qualify for favorable Federal income tax treatment under IRC Section 401(a), a noncontributory group life insurance plan and a noncontributory group disability benefit plan. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employee contributions shall immediately become and shall at all times remain fully vested and non-forfeitable. A participant's interest in that portion of his or her defined contribution retirement plan account attributable to employer contributions shall be vested and non-forfeitable on the date the participant commences the second year of employment or upon his or her attainment of age 65, while employed by an employer, whichever occurs first.

**Contributions**

**Public Employees' Retirement System** - The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Pursuant to the provisions of P.L. 2011, C. 78, the member contribution rate is currently 7.50% of base salary, effective July 1, 2018. The rate for members who are eligible for the Prosecutors Part of PERS (P.L. 2001, C. 366) is 10.0%. Employers' contributions are based on an actuarially determined amount, which includes the normal cost and unfunded accrued liability.

*Special Funding Situation Component* - Under N.J.S.A. 43:15A, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. One of such legislations, which legally obligate the State, is Chapter 133, P.L. 2001. This legislation increased the accrual rate from 1/60 to 1/55. In addition, it lowered the age required for a veteran benefit equal to 1/55 of highest 12-month compensation for each year of service from 60 to 55. Chapter 133, P.L. 2001 also established the Benefit Enhancement Fund (BEF) to fund the additional annual employer normal contribution due to the State's increased benefits. If the assets in the BEF are insufficient to cover the normal contribution for the increased benefits for a valuation period, the State will pay such amount for both the State and local employers.

The Employer's contractually required contribution rate for the fiscal years ended November 30, 2023 and 2022 was 19.24% and 16.34% of the Employer's covered payroll. This amount was actuarially determined as the amount that, when combined with employee contributions, is expected to finance the costs of benefits earned by employees during the year, including an additional amount to finance any unfunded accrued liability.

Based on the most recent PERS measurement date of June 30, 2023, the Employer's contractually required contribution to the pension plan for the fiscal year ended November 30, 2023 was \$302,263.00, and was payable by April 1, 2024. For the prior year measurement date of June 30, 2022, the Employer's contractually required contribution to the pension plan for the fiscal year ended November 30, 2022 was \$251,247.00, and was paid by April 1, 2023.

Employee contributions to the Plan for the fiscal years ended November 30, 2023 and 2022 were \$121,231.19 and \$119,087.50, respectively.

The amount of contractually required contribution for the State of New Jersey's proportionate share, associated with the Employer, under Chapter 133, P.L. 2001, for the fiscal years ended November 30, 2023 and 2022 were 0.65% and 0.41% of the Employer's covered payroll.

Based on the most recent PERS measurement date of June 30, 2023, the State's contractually required contribution, under Chapter 133, P.L. 2001, on-behalf of the Employer, to the pension plan for the fiscal year ended November 30, 2023 was \$10,219.00, and is payable by April 1, 2024. For the prior year measurement date of June 30, 2022, the State's contractually required contribution, under Chapter 133, P.L. 2001, on-behalf of the Employer, to the pension plan for the fiscal year ended November 30, 2022 was \$6,326.00, and was paid by April 1, 2023.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****General Information about the Pension Plans (Cont'd)****Contributions (Cont'd)**

**Defined Contribution Retirement Program** - The contribution policy is set by N.J.S.A. 43:15C-3 and requires contributions by active members and contributing employers. In accordance with Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007, Plan members are required to contribute 5.5% of their annual covered salary. In addition to the employee contributions, the Employer contributes 3% of the employees' base salary, for each pay period.

For the fiscal year ended November 30, 2023, there were no employees participating in the Defined Contribution Retirement Program. For the fiscal year ended November 30, 2022, employee contributions totaled \$327.77. The Employer recognized pension expense of \$204.71 for the fiscal year ended November 30, 2022, which equaled the required contributions. There were no forfeitures during the fiscal years.

**Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions****Public Employees' Retirement System**

**Pension Liability** - As of November 30, 2023, there is no net pension liability associated with the special funding situation under Chapter 133, P.L. 2001, as there was no accumulated difference between the annual additional normal cost and the actual State contribution through the valuation date. The Employer's proportionate share of the PERS net pension liability was \$3,276,805.00. The net pension liability was measured as of June 30, 2023 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2023. The Employer's proportion of the net pension liability was based on a projection of the Employer's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2023 measurement date, the Employer's proportion was .0226230328%, which was an increase of .0026993665% from its proportion measured as of June 30, 2022.

As of November 30, 2022, there is no net pension liability associated with the special funding situation under Chapter 133, P.L. 2001, as there was no accumulated difference between the annual additional normal cost and the actual State contribution through the valuation date. The Authority's proportionate share of the PERS net pension liability was \$3,006,756.00. The net pension liability was measured as of June 30, 2022 and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2021. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2022. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. For the June 30, 2022 measurement date, the Authority's proportion was .0199236663%, which was an increase of .0006870615% from its proportion measured as of June 30, 2021.

**Pension (Benefit) Expense** - For the fiscal years ended November 30, 2023 and 2022, the Employer recognized its proportionate share of the PERS pension (benefit) expense of \$248,597.00 and \$64,836.00, respectively. These amounts were based on the Plan's June 30, 2023 and 2022 measurement dates, respectively.

For the fiscal years ended November 30, 2023 and 2022, the Employer has recognized as a revenue and an expenditure on-behalf payments made by the State for the State's proportionate share of the PERS pension expense, associated with the Employer, under Chapter 133, P.L. 2001, calculated by the Plan as of the June 30, 2023 and 2022 measurement date. The amounts recognized as a revenue and an expenditure in the financial statements was \$10,219.00 and \$6,326.00, respectively.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Public Employees' Retirement System (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources** – At November 30, 2023 and 2022, the Employer had deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>November 30, 2023</u>		<u>November 30, 2022</u>	
	<u>Measurement Date</u>		<u>Measurement Date</u>	
	<u>June 30, 2023</u>		<u>June 30, 2022</u>	
	<u>Outflows of</u>	<u>Inflows of</u>	<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>	<u>Resources</u>
Differences between Expected and Actual Experience	\$ 31,330.00	\$ 13,395.00	\$ 21,701.00	\$ 19,138.00
Changes of Assumptions	7,198.00	198,588.00	9,316.00	450,230.00
Net Difference between Projected and Actual Earnings on Pension Plan Investments	15,090.00	-	124,447.00	-
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions	545,960.00	2,439.00	379,785.00	4,540.00
Contributions Subsequent to the Measurement Date	125,985.00	-	104,686.00	-
	<u>\$ 725,563.00</u>	<u>\$ 214,422.00</u>	<u>\$ 639,935.00</u>	<u>\$ 473,908.00</u>

Deferred outflows of resources in the amounts of \$125,985.00 and \$104,686.00 will be included as a reduction of the net pension liability during the fiscal years ending November 30, 2024 and 2023, respectively. These amounts are based on an estimated April 1, 2025 and April 1, 2024 contractually required contribution, prorated from the pension plan's measurement date of June 30, 2023 and 2022 to the Employer's fiscal year end of November 30, 2023 and 2022.

The Employer will amortize the other deferred outflows of resources and deferred inflows of resources related to pensions over the following number of years:

	<u>Deferred</u>	<u>Deferred</u>		<u>Deferred</u>	<u>Deferred</u>
	<u>Outflows of</u>	<u>Inflows of</u>		<u>Outflows of</u>	<u>Inflows of</u>
	<u>Resources</u>	<u>Resources</u>		<u>Resources</u>	<u>Resources</u>
Differences between Expected and Actual Experience			Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:			Year of Pension Plan Deferral:		
June 30, 2018	-	5.63	June 30, 2019	5.00	-
June 30, 2019	5.21	-	June 30, 2020	5.00	-
June 30, 2020	5.16	-	June 30, 2021	5.00	-
June 30, 2021	-	5.13	June 30, 2022	5.00	-
June 30, 2022	-	5.04	June 30, 2023	5.00	-
June 30, 2023	5.08	-			
Changes of Assumptions			Changes in Proportion		
Year of Pension Plan Deferral:			Year of Pension Plan Deferral:		
June 30, 2018	-	5.63	June 30, 2018	5.63	5.63
June 30, 2019	-	5.21	June 30, 2019	5.21	5.21
June 30, 2020	-	5.16	June 30, 2020	5.16	5.16
June 30, 2021	5.13	-	June 30, 2021	5.13	5.13
June 30, 2022	-	5.04	June 30, 2022	5.04	5.04
			June 30, 2023	5.08	5.08

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Liabilities, Pension (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Cont'd)****Public Employees' Retirement System (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - Other amounts included as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in future periods as follows:

<b>Fiscal Year Ending November 30,</b>	
2024	\$ (5,052.00)
2025	62,048.00
2026	255,213.00
2027	65,452.00
2028	7,495.00
	<u>\$ 385,156.00</u>

**Actuarial Assumptions****Public Employees' Retirement System**

The net pension liability was measured as of June 30, 2023 and 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of July 1, 2022 and 2021. The total pension liability was calculated through the use of updated procedures to roll forward from the actuarial valuation date to the measurement date of June 30, 2023 and 2022. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

	<b>Measurement Date June 30, 2023</b>	<b>Measurement Date June 30, 2022</b>
Inflation Rate:		
Price	2.75%	2.75%
Wage	3.25%	3.25%
Salary Increases:		
Through 2026	2.75% - 6.55%	2.75% - 6.55%
	Based on Years of Service	Based on Years of Service
Investment Rate of Return	7.00%	7.00%
Period of Actuarial Experience		
Study upon which Actuarial Assumptions were Based	July 1, 2018 - June 30, 2021	July 1, 2018 - June 30, 2021

For the June 30, 2023 measurement date, Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Actuarial Assumptions (Cont'd)****Public Employees' Retirement System (Cont'd)**

For the June 30, 2022 measurement date, pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee mortality table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021.

In accordance with State statute, the long-term expected rate of return on Plan investments (7.00% at June 30, 2023 and 2022) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension Plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS' target asset allocation as of June 30, 2023 and 2022 are summarized in the table below:

<u>Asset Class</u>	<u>Measurement Date</u> <u>June 30, 2023</u>		<u>Measurement Date</u> <u>June 30, 2022</u>	
	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>	<u>Target</u> <u>Allocation</u>	<u>Long-Term</u> <u>Expected Real</u> <u>Rate of Return</u>
U.S. Equity	28.00%	8.98%	27.00%	8.12%
Non-U.S. Developed Markets Equity	12.75%	9.22%	13.50%	8.38%
International Small Cap Equity	1.25%	9.22%		
Emerging Markets Equity	5.50%	11.13%	5.50%	10.33%
Private Equity	13.00%	12.50%	13.00%	11.80%
Real Estate	8.00%	8.58%	8.00%	11.19%
Real Assets	3.00%	8.40%	3.00%	7.60%
High Yield	4.50%	6.97%	4.00%	4.95%
Private Credit	8.00%	9.20%	8.00%	8.10%
Investment Grade Credit	7.00%	5.19%	7.00%	3.38%
Cash Equivalents	2.00%	3.31%	4.00%	1.75%
U.S. Treasuries	4.00%	3.31%	4.00%	1.75%
Risk Mitigation Strategies	3.00%	6.21%	3.00%	4.91%
	<u>100.00%</u>		<u>100.00%</u>	

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Actuarial Assumptions (Cont'd)****Public Employees' Retirement System (Cont'd)**

**Discount Rate** - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2023. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity would 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 to all projected benefit payments to determine the total pension liability.

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. This single blended discount rate was based on the long-term expected rate of return on pension plan investments of 7.00% and a municipal bond rate of 3.54% as of the June 30, 2022 measurement date based on 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. The projection of cash flows used to determine the discount rate assumed that contributions from Plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity would be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the Plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on Plan investments was applied to all projected benefit payments to determine the total pension liability.

**Sensitivity of Proportionate Share of Net Pension Liability to Changes in the Discount Rate****Public Employees' Retirement System**

The following presents the Employer's proportionate share of the net pension liability as of the June 30, 2023 measurement date, calculated using a discount rate of 7.00%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Proportionate Share of the Net Pension Liability	\$ 4,265,703.00	\$ 3,276,805.00	\$ 2,435,122.00

The following presents the Employer's proportionate share of the net pension liability as of the June 30, 2022 measurement date, calculated using a discount rate of 7.00%, as well as what the Employer's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1% lower or 1% higher than the current rates used:

	<b>1% Decrease (6.00%)</b>	<b>Current Discount Rate (7.00%)</b>	<b>1% Increase (8.00%)</b>
Proportionate Share of the Net Pension Liability	\$ 3,862,800.00	\$ 3,006,756.00	\$ 2,278,227.00

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Pension Plans (Cont'd)****Pension Plan Fiduciary Net Position****Public Employees' Retirement System**

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension (benefit) expense, information about the respective fiduciary net position of the PERS and additions to/deductions from PERS' respective fiduciary net position have been determined on the same basis as they are reported by PERS. Accordingly, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan****General Information about the State Health Benefit Local Government Retired Employees Plan**

**Plan Description and Benefits Provided** - The Authority contributes to the State Health Benefits Local Government Retired Employees Plan (the "Plan"), which is a cost-sharing multiple-employer defined benefit other postemployment benefit ("OPEB") plan with a special funding situation. It covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions* (GASB Statement No. 75); therefore, assets are accumulated to pay associated benefits. For additional information about the Plan, please refer to the State of New Jersey (the "State"), Division of Pensions and Benefits' (the "Division") annual financial statements, which can be found at <https://www.state.nj.us/treasury/pensions/financial-reports.shtml>. As a local participating employer of the Plan, the Authority is referred to as "Employer" throughout this note.

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.

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.

**Contributions** - The funding policy for the OPEB plan is pay-as-you-go; therefore, there is no prefunding of the liability. However, due to premium rates being set prior to each calendar year, there is a minimal amount of net position available to cover benefits in future years. Contributions to pay for the health benefit premiums of participating employees in the OPEB plan are collected from the State of New Jersey, participating local employers, and retired members.



**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****General Information about the State Health Benefit Local Government Retired Employees Plan (Cont'd)**

**Contributions (Cont'd)** - The Employer was billed monthly by the Plan and paid \$222,751.06 and \$202,815.54, for the fiscal years ended November 30, 2023 and 2022, respectively. These amounts represent 14.17% and 13.19% of the Employer's covered payroll. During the fiscal years ended November 30, 2023 and 2022, retirees were not required to contribute to the Plan.

**OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources**

**OPEB Liability** - At November 30, 2023, the Employer's proportionate share of the net OPEB liability was \$6,744,689.00.

The net OPEB liability was measured as of June 30, 2023, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023.

The Employer's proportion of the net OPEB liability was based on the ratio of the Plan members of an individual employer to the total members of the Plan' during the measurement period July 1, 2022 through June 30, 2023. For the June 30, 2023 measurement date, the Employer's proportion was .044945%, which was an increase of .009182% from its proportion measured as of the June 30, 2022 measurement date, as adjusted.

At November 30, 2022, the Employer's proportionate share of the net OPEB liability was \$5,775,580.00.

The net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022.

The Employer's proportion of the net OPEB liability was based on the ratio of the Plan members of an individual employer to the total members of the Plan' during the measurement period July 1, 2021 through June 30, 2022. For the June 30, 2022 measurement date, the Authority's proportion was .035763%, which was an increase of .003371% from its proportion measured as of the June 30, 2021 measurement date, as adjusted.

**OPEB (Benefit) Expense** - At November 30, 2023, the Employer's proportionate share of the OPEB (benefit) expense, calculated by the Plan as of the June 30, 2023 measurement date, is \$154,109.00.

At November 30, 2022, the Employer's proportionate share of the OPEB (benefit) expense, calculated by the Plan as of the June 30, 2022 measurement date, is \$173,498.00.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources** – At November 30, 2023 and November 30, 2022, the Employer had deferred outflows of resources and deferred inflows of resources from the following sources:

	<u>November 30, 2023</u>		<u>November 30, 2022</u>	
	<u>Measurement Date June 30, 2023</u>		<u>Measurement Date June 30, 2022</u>	
	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 311,030.00	\$ 1,831,637.00	\$ 298,257.00	\$ 1,070,547.00
Changes of Assumptions	873,690.00	1,906,508.00	770,775.00	1,971,094.00
Net Difference between Projected and Actual Earnings on OPEB Plan Investments	-	1,113.00	1,520.00	-
Changes in Proportion	4,718,616.00	1,803,237.00	3,709,397.00	2,411,350.00
Contributions Subsequent to the Measurement Date	89,201.48	-	89,280.00	-
	<u>\$ 5,992,537.48</u>	<u>\$ 5,542,495.00</u>	<u>\$ 4,869,229.00</u>	<u>\$ 5,452,991.00</u>

Deferred outflows of resources in the amount of \$89,201.48 was the result of the Employer contributions subsequent to the Plan's measurement date of June 30, 2023. This amount will be included as a reduction of the Employer's net OPEB liability during the fiscal year ending November 30, 2024. Deferred outflows of resources in the amount of \$89,280.00 was the result of the Employer contributions subsequent to the Plan's measurement date of June 30, 2022. This amount was included as a reduction of the Employer's net OPEB liability during the fiscal year ending November 30, 2023.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****OPEB Liability, OPEB (Benefit) Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)**

**Deferred Outflows of Resources and Deferred Inflows of Resources (Cont'd)** - The Employer will amortize the above other deferred outflows of resources and deferred inflows of resources related to the OPEB liability over the following number of years:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>		<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience			Net Difference between Projected and Actual Investment Earnings on OPEB Plan Investments		
Year of OPEB Plan Deferral:			Year of OPEB Plan Deferral:		
June 30, 2018	-	8.14	June 30, 2018	5.00	-
June 30, 2019	-	8.05	June 30, 2019	5.00	-
June 30, 2020	7.87	-	June 30, 2020	5.00	-
June 30, 2021	-	7.82	June 30, 2021	5.00	-
June 30, 2022	7.82	-	June 30, 2022	5.00	-
June 30, 2023	-	7.89	June 30, 2023	5.00	-
Changes of Assumptions			Changes in Proportion		
Year of OPEB Plan Deferral:			Year of OPEB Plan Deferral:		
June 30, 2017	-	8.04	June 30, 2017	8.04	8.04
June 30, 2018	-	8.14	June 30, 2018	8.14	8.14
June 30, 2019	-	8.05	June 30, 2019	8.05	8.05
June 30, 2020	7.87	-	June 30, 2020	7.87	7.87
June 30, 2021	7.82	-	June 30, 2021	7.82	7.82
June 30, 2022	-	7.82	June 30, 2022	7.82	7.82
June 30, 2023	7.89	-	June 30, 2023	7.89	7.89

Other amounts included as deferred outflows of resources and deferred inflows of resources related to the OPEB liability will be recognized in future periods as follows:

<u>Fiscal Year Ending</u>	
November 30, 2024	\$ (394,438.00)
November 30, 2025	(202,778.00)
November 30, 2026	77,872.00
November 30, 2027	668,485.00
November 30, 2028	(1,826.00)
Thereafter	213,526.00
	<u>\$ 360,841.00</u>

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)**

**Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)**

**Actuarial Assumptions**

The actuarial valuation at June 30, 2023 and 2022 used the following actuarial assumptions, applied to all periods in the measurement:

	<b><u>Measurement Date</u></b> <b><u>June 30, 2023</u></b>	<b><u>Measurement Date</u></b> <b><u>June 30, 2022</u></b>
Salary Increases *		
PERS:		
Rate for All Future Years	2.75% to 6.55%	2.75% to 6.55%
Mortality:		
PERS - Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021		

\* salary increases are based on years of service within the respective Plan

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

100% of active members in both the June 30, 2023 and June 30, 2022 measurement dates are considered to participate in the Plan upon retirement.

All of the Plan's investments are in the State of New Jersey Cash Management Fund (the "CMF"). The New Jersey Division of Investments manages the CMF, which is available on a voluntary basis for investment by State and certain non-State participants. The CMF is considered to be an investment trust fund as defined in GASB Statement No. 31, *Certain Investments and External Investment Pools*. The CMF invests in U.S. government and agency obligations, commercial paper, corporate obligations and certificates of deposit. Units of ownership in the CMF may be purchased or redeemed on any given business day (excluding State holidays) are the unit cost of value of \$1.00. Participant shares are valued on a fair value basis. The CMF pay interest to participants on a monthly basis.

**Discount Rate** - The discount rate used to measure the OPEB liability at June 30, 2023 and 2022 were 3.65% and 3.54%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****Actuarial Assumptions (Cont'd)**

**Health Care Trend Assumptions** – The health care trend assumptions used is as follows:

Fiscal Year Ending	Annual Rate of Increase					
	Medical Trend			Prescription Drug Trend		
	Pre-65	PPO Post-65	HMO Post-65	Pre-65	Post-65	EGWP
2024	6.50%	-5.63%	-6.04%	14.00%	9.50%	14.28%
2025	6.25%	8.22%	8.33%	10.00%	8.75%	11.21%
2026	6.00%	16.85%	17.28%	7.50%	7.50%	7.50%
2027	5.75%	14.31%	14.65%	6.75%	6.75%	6.75%
2028	5.50%	12.43%	12.71%	6.00%	6.00%	6.00%
2029	5.25%	11.02%	11.24%	5.25%	5.25%	5.25%
2030	5.00%	9.91%	10.09%	4.50%	4.50%	4.50%
2031	4.75%	8.98%	9.14%	4.50%	4.50%	4.50%
2032	4.50%	6.46%	6.53%	4.50%	4.50%	4.50%
2033 and Later	4.50%	4.50%	4.50%	4.50%	4.50%	4.50%

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

The net OPEB liability as of June 30, 2023, the Plan's measurement date, for the Employer calculated using a discount rate of 3.65%, as well as using a discount rate that is 1% lower or 1% higher than the current rate used, is as follows:

	1% Decrease (2.65%)	Current Discount Rate (3.65%)	1% Increase (4.65%)
Authority's Proportionate Share of the Net OPEB Liability	\$ 7,812,500.00	\$ 6,744,689.00	\$ 5,885,800.00

The net OPEB liability as of June 30, 2022, the Plan's measurement date, for the Employer calculated using a discount rate of 3.54%, as well as using a discount rate that is 1% lower or 1% higher than the current rate used, is as follows:

	1% Decrease (2.54%)	Current Discount Rate (3.54%)	1% Increase (4.54%)
Authority's Proportionate Share of the Net OPEB Liability	\$ 6,695,060.00	\$ 5,775,580.00	\$ 5,035,772.00

**Note 5: DETAIL NOTES – LIABILITIES (CONT'D)****Postemployment Benefits Other Than Pensions (OPEB) - State Health Benefits Local Government Retired Employees Plan (Cont'd)****Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate**

The Employer's proportionate share of the net OPEB liability as of June 30, 2023, using a healthcare cost trend rate that is 1% lower or 1% higher than the current healthcare cost trend rate used, is as follows:

	<b><u>1% Decrease</u></b>	<b><u>Healthcare Cost Trend Rate</u></b>	<b><u>1% Increase</u></b>
Authority's Proportionate Share of the Net OPEB Liability	\$ 5,732,192.00	\$ 6,744,689.00	\$ 8,040,995.00

The Employer's proportionate share of the net OPEB liability as of June 30, 2022, using a healthcare cost trend rate that is 1% lower or 1% higher than the current healthcare cost trend rate used, is as follows:

	<b><u>1% Decrease</u></b>	<b><u>Healthcare Cost Trend Rate</u></b>	<b><u>1% Increase</u></b>
Authority's Proportionate Share of the Net OPEB Liability	\$ 4,899,598.00	\$ 5,775,580.00	\$ 6,897,466.00

**OPEB Plan Fiduciary Net Position**

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB (benefit) expense, information about the respective fiduciary net position of the State Health Benefits Local Government Retired Employees Plan and additions to/deductions from the Plan's respective fiduciary net position have been determined on the same basis as they are reported by the Plan. Accordingly, contributions (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

**Note 6: DETAIL NOTES – NET POSITION****Net Position Appropriated**

As of November 30, 2023, the Authority had an unrestricted net position balance of \$13,835,905.63; however, \$4,220,774.00 has been appropriated and included as support in the operating budgets for the fiscal year ending November 30, 2024.

As of November 30, 2022, the Authority had an unrestricted net position balance of \$12,466,005.32; however, \$2,209,187.00 has been appropriated and included as support in the operating budgets for the fiscal year ending November 30, 2023.

**Net Position Designated**

As of November 30, 2023 and 2022, \$16,211,083.70, and \$13,777,839.94, respectively, of the balance in unrestricted net position has been designated for Capital Improvements.

**Note 6: DETAIL NOTES – NET POSITION (CONT'D)****Unrestricted/Undesignated Net Position**

The balance of unrestricted net position as of November 30, 2023 and 2022 is comprised of the following:

	<u>2023</u>	<u>2022</u>
Unrestricted and Undesignated Net Position	\$ 2,892,706.45	\$ 6,034,982.38
Amount Related to Pensions (GASB 68 and 71)	(3,194,012.00)	(3,196,662.00)
Amount Related to OPEB (GASB 75)	(6,294,646.52)	(6,359,342.00)
Net Position Designated for Capital Improvements	16,211,083.70	13,777,839.94
Appropriated in the Subsequent Fiscal Year's Budget	4,220,774.00	2,209,187.00
	<u>\$ 13,835,905.63</u>	<u>\$ 12,466,005.32</u>
Unrestricted Net Position	<u>\$ 13,835,905.63</u>	<u>\$ 12,466,005.32</u>

**Note 7: INTERGOVERNMENTAL AGREEMENTS****Township of Lower Service Contract**

A Service Contract was entered into on November 19, 1968 between the Authority and the Township. Under the Service Contract, the Township agrees to pay any shortfall the Authority may encounter in making payments for either Operating Expenses and/or Debt Service (Annual Charges).

The purpose of this contract is to grant temporary relief to the Authority should it experience difficulty in meeting its obligations. The contract calls for the Township to be reimbursed for any Annual Charges paid by the Township when the Authority's operations permit. Ultimately, all Operating Expenses and Debt Service of the Authority are borne by revenues of the system.

**Note 8: COMMITMENTS**

The Authority had several outstanding or planned construction projects as of November 30, 2023. These projects are evidenced by contractual commitments with contractors and include:

<u>Project</u>	<u>Awarded / Amended</u>	<u>Commitment Remaining</u>
Vacuum Sewer Expansion Project - Construction	\$ 19,252,319.54	\$ 1,287,461.50
Sanitary Sewer Waste Activated Sludge Thickening	835,800.00	336,721.38
		<u>\$ 1,624,182.88</u>

**Note 9: DEFERRED COMPENSATION**

The Authority offers its employees a Deferred Compensation Plan in accordance with Internal Revenue Code Section 457 which has been approved by the Director of the Division of Local Government Services. The Plan, available to all full time employees at their option, permits employees to defer a portion of their salary to future years. The deferred compensation is not available to participants until termination, retirement, death or unforeseeable emergency.

Amounts deferred under Section 457 plans must be held in trust for the exclusive benefit of participating employees and not be accessible by the Authority or its creditors. Since the Authority does not have a fiduciary relationship with the Plan, the balances and activities of the Plan are not reported in the Authority's financial statements.

**Note 10: RISK MANAGEMENT**

The Authority is a member of New Jersey Utility Authorities Joint Insurance Fund. The Fund provides the Authority with the following coverage:

Property and Physical Damage  
Workers Compensation  
Excess Liability  
Boiler and Machinery  
General and Automobile Liability

Contributions to the Fund, including a reserve for contingencies are payable in an annual premium and is based on actuarial assumptions determined by the Fund's actuary. The Commissioner of Insurance may order additional assessments to supplement the Fund's claim, loss retention or administrative accounts to assure the payment of the Fund's obligations.

The Authority's agreement with the Fund provides that the Fund will be self-sustaining through member premiums and will reinsure through commercial insurance for claims in excess of \$500,000.00 for each insured event.

The Fund publishes its own financial report, which can be obtained from the New Jersey Utility Authorities Joint Insurance Fund, 9 Campus Drive, Suite 16, Parsippany, New Jersey 07054-4412.

**Note 11: SUBSEQUENT EVENTS**

**NJIB Permanent Financing** - On December 15, 2023, the New Jersey Infrastructure Bank issued Environmental Infrastructure Bonds, Series 2023A-W1 and Series 2023C-W1 for the benefits of the "Series 2023 Borrowers". On May 15, 2025, the New Jersey Infrastructure Bank issued Environmental Infrastructure Bonds, Series 2025A-SW1 for the benefits of the "Series 2025 Borrowers". The Authority is a "Series 2023 Borrower" and a "Series 2025 Borrower" and received permanent financing on interim financing loans as follows:

		<b>I-Bank Loan Amount</b>		<b>Fund Loan Amount</b>
		<b>Traditional</b>	<b>WIFIA</b>	
<b>Series 2023 A-W1/C-W1</b>	<b>0505002-004</b>	\$ 1,930,000.00	\$ 5,499,641.00	\$ 3,514,857.00
<b>Series 2025A-SW1/C-SW1</b>	<b>S340810-05</b>	8,605,000.00	5,996,473.00	11,935,780.00

**Supplemental Bond Resolution** - On July 2, 2025, the Authority adopted a supplemental resolution authorizing the issuance of not to exceed \$7,300,000.00 aggregate principal amount of project notes and/or revenue bonds (junior lien) in connection with a project consisting of all or a portion of the Replacement of the North Cape May Water Distribution System, to be financed with the proceeds of a loan from the New Jersey Infrastructure Bank.



## **REQUIRED SUPPLEMENTARY INFORMATION**

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Required Supplementary Information  
 Schedule of the Authority's Proportionate Share of the Net Pension Liability  
 Public Employees' Retirement System (PERS)  
 Last Ten Plan Years

	Measurement Date Ending June 30,				
	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Authority's Proportion of the Net Pension Liability	0.0226230328%	0.0199236663%	0.0192366048%	0.0181909666%	0.0182391291%
Authority's Proportionate Share of the Net Pension Liability	\$ 3,276,805.00	\$ 3,006,756.00	\$ 2,278,864.00	\$ 2,966,471.00	\$ 3,286,414.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 1,582,252.00	\$ 1,468,356.00	\$ 1,409,740.00	\$ 1,318,120.00	\$ 1,225,988.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	207.10%	204.77%	161.65%	225.05%	268.06%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	65.23%	62.91%	70.33%	58.32%	56.27%
	Measurement Date Ending June 30,				
	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Authority's Proportion of the Net Pension Liability	0.0170228138%	0.0141741109%	0.0116972840%	0.0147986848%	0.0167587842%
Authority's Proportionate Share of the Net Pension Liability	\$ 3,351,707.00	\$ 3,299,506.00	\$ 3,464,400.00	\$ 3,322,008.00	\$ 3,137,703.00
Authority's Covered Payroll (Plan Measurement Period)	\$ 1,195,436.00	\$ 962,560.00	\$ 791,516.00	\$ 993,092.00	\$ 1,158,964.00
Authority's Proportionate Share of the Net Pension Liability as a Percentage of its Covered Payroll	280.38%	342.78%	437.69%	334.51%	270.73%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	53.60%	48.10%	40.14%	47.93%	52.08%

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**

Required Supplementary Information  
Schedule of the Authority Contributions  
Public Employees' Retirement System (PERS)  
Last Ten Fiscal Years

	<b>Fiscal Year Ended November 30,</b>				
	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>	<b><u>2019</u></b>
Authority's Contractually Required Contribution	\$ 302,363.00	\$ 251,247.00	\$ 225,283.00	\$ 199,000.00	\$ 177,413.00
Authority's Contribution in Relation to the Contractually Required Contribution	<u>(302,363.00)</u>	<u>(251,247.00)</u>	<u>(225,283.00)</u>	<u>(199,000.00)</u>	<u>(177,413.00)</u>
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Fiscal Year)	\$ 1,571,604.00	\$ 1,537,654.00	\$ 1,460,070.00	\$ 1,392,155.00	\$ 1,292,781.00
Authority's Contributions as a Percentage of its Covered Payroll	19.24%	16.34%	15.43%	14.29%	13.72%
	<b>Fiscal Year Ended November 30,</b>				
	<b><u>2018</u></b>	<b><u>2017</u></b>	<b><u>2016</u></b>	<b><u>2015</u></b>	<b><u>2014</u></b>
Authority's Contractually Required Contribution	\$ 169,322.00	\$ 131,308.00	\$ 103,917.00	\$ 127,229.00	\$ 138,157.00
Authority's Contribution in Relation to the Contractually Required Contribution	<u>(169,322.00)</u>	<u>(131,308.00)</u>	<u>(103,917.00)</u>	<u>(127,229.00)</u>	<u>(138,157.00)</u>
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Fiscal Year)	\$ 1,197,221.00	\$ 1,165,371.00	\$ 970,590.00	\$ 811,920.00	\$ 973,028.00
Authority's Contributions as a Percentage of its Covered Payroll	14.14%	11.27%	10.71%	15.67%	14.20%

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Required Supplementary Information  
Schedule of the Authority's Proportionate Share  
of the Net OPEB Liability  
State Health Benefits Local Government Retired Employees Plan  
Last Seven Plan Years

	Measurement Date Ended June 30,			
	<u>2023</u>	<u>2022</u>	<u>2021 (a)</u>	<u>2020</u>
Authority's Proportion of the Net OPEB Liability	0.044945%	0.035763%	0.032392%	0.033589%
Authority's Proportionate Share of the Net OPEB Liability	\$ 6,744,689.00	\$ 5,775,580.00	\$ 5,830,489.00	\$ 6,028,088.00
Authority's Covered Payroll (Plan Measurement Period)	1,550,577.00	1,522,201.00	1,450,391.00	1,367,892.00
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	434.98%	379.42%	401.99%	440.68%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	-0.79%	-0.36%	0.28%	0.91%
	Measurement Date Ended June 30,			
	<u>2019</u>	<u>2018</u>	<u>2017</u>	
Authority's Proportion of the Net OPEB Liability	0.011625%	0.029933%	0.029547%	
Authority's Proportionate Share of the Net OPEB Liability	\$ 1,574,731.00	\$ 4,689,489.00	\$ 6,032,253.00	
Authority's Covered Payroll (Plan Measurement Period)	1,243,612.00	1,212,420.00	1,140,312.00	
Authority's Proportionate Share of the Net OPEB Liability as a Percentage of Covered Payroll	126.63%	386.79%	529.00%	
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	1.98%	1.97%	1.03%	

(a) The Proportionate Share of the June 30, 2021 Net OPEB Liability was adjusted within the June 30, 2022 Plan Audit.

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

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Required Supplementary Information  
Schedule of the Authority's OPEB Contributions  
State Health Benefits Local Government Retired Employees Plan  
Last Seven Fiscal Years

	<b>Fiscal Year Ended November 30,</b>			
	<b><u>2023</u></b>	<b><u>2022</u></b>	<b><u>2021</u></b>	<b><u>2020</u></b>
Authority's Required Contributions	\$ 222,751.06	\$ 202,815.54	\$ 142,931.54	\$ 150,669.75
Authority's Contributions in Relation to the Required Contribution	<u>(222,751.06)</u>	<u>(202,815.54)</u>	<u>(142,931.54)</u>	<u>(150,669.75)</u>
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's Covered Payroll (Fiscal Year)	\$ 1,571,604.00	\$ 1,537,654.00	\$ 1,460,070.00	\$ 1,392,155.00
Authority's Contributions as a Percentage of Covered Payroll	14.17%	13.19%	9.79%	10.82%
	<b>Fiscal Year Ended November 30,</b>			
	<b><u>2019</u></b>	<b><u>2018</u></b>	<b><u>2017</u></b>	
Authority's Required Contributions	\$ 160,236.97	\$ 261,490.94	\$ 290,590.17	
Authority's Contributions in Relation to the Required Contribution	<u>(160,236.97)</u>	<u>(261,490.94)</u>	<u>(290,590.17)</u>	
Authority's Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	
Authority's Covered Payroll (Fiscal Year)	\$ 1,292,781.00	\$ 1,197,221.00	\$ 1,165,371.00	
Authority's Contributions as a Percentage of Covered Payroll	12.39%	21.84%	24.94%	

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

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
 Supplementary Information  
 Notes to Required Supplementary Information  
 For the Fiscal Year Ended November 30, 2023

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**Note 1: POSTEMPLOYMENT BENEFITS - PENSION**

**Public Employees' Retirement System (PERS)**

***Changes in Benefit Terms:***

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 of employment, 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 inactivity prior to retirement or death.

***Changes in Assumptions:***

The discount rate and long-term expected rate of return used as of June 30 measurement date are as follows:

<b>Discount Rate</b>				<b>Long-term Expected Rate of Return</b>			
<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2023	7.00%	2018	5.66%	2023	7.00%	2018	7.00%
2022	7.00%	2017	5.00%	2022	7.00%	2017	7.00%
2021	7.00%	2016	3.98%	2021	7.00%	2016	7.65%
2020	7.00%	2015	4.90%	2020	7.00%	2015	7.90%
2019	6.28%	2014	5.39%	2019	7.00%	2014	7.90%

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Required Supplementary Information  
Notes to Required Supplementary Information (Cont'd)  
For the Fiscal Year Ended November 30, 2023

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**Note 2: POSTEMPLOYMENT BENEFITS OTHER THAN PENSION BENEFITS (OPEB)**

***Change in Benefit Terms:***

The actuarial valuation as of July 1, 2022, which was rolled forward to June 30, 2023, included changes due to employers adopting and /or changing Chapter 48 provisions.

***Changes in Assumptions:***

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

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

The expected investment rate of return is based on guidance provided by the State. These expected rates of return are the same as the discount rates listed above.

In addition to changes in the discount rate, other factors that affected the valuation of the net OPEB liability included changes in the trend update.

There were no changes to mortality projections.

## **SUPPLEMENTARY SCHEDULES**



**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
Non-Operating Appropriations Compared to Budget--Budgetary Basis  
Water Division  
For the Fiscal Year Ended November 30, 2023

	<u>Original Budget</u>	<u>Transfers/ Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:					
Service Charges	\$ 3,694,000.00	\$ -	\$ 3,694,000.00	\$ 3,971,324.37	\$ 277,324.37
Connection Fees	308,000.00	-	308,000.00	844,300.00	536,300.00
Other Operating Revenues	12,000.00	-	12,000.00	175,300.66	163,300.66
Total Operating Revenues	4,014,000.00	-	4,014,000.00	4,990,925.03	976,925.03
Non-Operating Revenues:					
Investment Income	25,000.00	-	25,000.00	270,515.93	245,515.93
Water Tower Rental Payments	220,000.00	-	220,000.00	255,329.61	35,329.61
Total Non-Operating Revenues	245,000.00	-	245,000.00	525,845.54	280,845.54
Total Anticipated Revenues	4,259,000.00	-	4,259,000.00	5,516,770.57	1,257,770.57
Operating Appropriations:					
Administration:					
Salaries and Wages	215,000.00	-	215,000.00	196,007.33	18,992.67
Fringe Benefits	102,000.00	-	102,000.00	98,648.33	3,351.67
Other Expenses:					
Professional Services	102,000.00	-	102,000.00	73,720.06	28,279.94
Insurance	70,400.00	-	70,400.00	69,567.73	832.27
Equipment Rental	4,000.00	-	4,000.00	2,652.24	1,347.76
Dues and Memberships	6,000.00	-	6,000.00	4,414.50	1,585.50
Conferences & Seminars	2,000.00	-	2,000.00	1,974.33	25.67
Office Expense	-	-	-	357.14	(357.14)
Public Advertising	6,000.00	-	6,000.00	2,784.69	3,215.31
Printing	10,000.00	-	10,000.00	6,659.92	3,340.08
Postage	20,000.00	-	20,000.00	19,145.00	855.00
Computer Maintenance & Upgrade	10,000.00	-	10,000.00	5,178.43	4,821.57
Software Licenses and Internet / Website	15,000.00	-	15,000.00	17,774.17	(2,774.17)
Miscellaneous	4,000.00	-	4,000.00	3,107.77	892.23
Other Expenses	249,400.00	-	249,400.00	207,335.98	42,064.02
Total Administration	566,400.00	-	566,400.00	501,991.64	64,408.36

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
Non-Operating Appropriations Compared to Budget--Budgetary Basis  
Water Division  
For the Fiscal Year Ended November 30, 2023

	<u>Original Budget</u>	<u>Transfers/ Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Appropriations (Cont'd):					
Cost of Providing Service:					
Operations:					
Salaries and Wages	\$ 817,000.00	\$ -	\$ 817,000.00	\$ 704,415.82	\$ 112,584.18
Fringe Benefits	529,000.00	-	529,000.00	419,644.32	109,355.68
Other Expenses:					
Chemical Costs - Treatment Plant	90,000.00	-	90,000.00	67,936.30	22,063.70
Utility Costs	144,000.00	-	144,000.00	168,826.49	(24,826.49)
Lease Agreement	4,000.00	-	4,000.00	3,004.42	995.58
Water Distribution Supplies	200,000.00	-	200,000.00	161,469.15	38,530.85
Water Meters	200,000.00	-	200,000.00		200,000.00
Well Parts & Supplies	30,000.00	-	30,000.00	4,225.57	25,774.43
Maintenance - Well / Tank	3,000.00	-	3,000.00		3,000.00
Laboratory Analysis	40,000.00	-	40,000.00	27,130.12	12,869.88
Transportation - Gasoline & Diesel	56,500.00	-	56,500.00	51,054.80	5,445.20
Permits and Other Fees	10,000.00	-	10,000.00	23,882.07	(13,882.07)
Safety	4,000.00	-	4,000.00	3,897.46	102.54
Tools	2,000.00	-	2,000.00	712.89	1,287.11
Training and Seminars	7,000.00	-	7,000.00	10,450.80	(3,450.80)
Uniforms	6,000.00	-	6,000.00	3,122.94	2,877.06
Miscellaneous	2,000.00	-	2,000.00	1,768.00	232.00
Total Other Expenses	798,500.00	-	798,500.00	527,481.01	271,018.99
Total Cost of Providing Service	2,144,500.00	-	2,144,500.00	1,651,541.15	492,958.85
Principal Payments on Debt Service in Lieu of Depreciation	455,946.00	-	455,946.00	455,945.52	0.48
Total Operating Appropriations	3,166,846.00	-	3,166,846.00	2,609,478.31	557,367.69
Non-Operating Appropriations:					
Interest on Debt	344,791.00	-	344,791.00	342,270.56	2,520.44
Renewal & Replacement Reserves	1,111,000.00	-	1,111,000.00	1,111,000.00	
Municipal Appropriation	80,000.00	-	80,000.00	80,000.00	
Total Non-Operating Appropriations	1,535,791.00	-	1,535,791.00	1,533,270.56	2,520.44
Net Total Appropriations	4,702,637.00	-	4,702,637.00	4,142,748.87	559,888.13
Excess (Deficit) in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ (443,637.00)	\$ -	\$ (443,637.00)	\$ 1,374,021.70	\$ 1,817,658.70

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
Non-Operating Appropriations Compared to Budget--Budgetary Basis  
Sewer Division  
For the Fiscal Year Ended November 30, 2023

	<u>Original Budget</u>	<u>Transfers/ Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Revenues:					
Service Charges	\$ 5,149,000.00	\$ -	\$ 5,149,000.00	\$ 5,032,379.62	\$ (116,620.38)
Connection Fees	82,000.00	-	82,000.00	669,400.00	587,400.00
Other Operating Revenues	12,000.00	-	12,000.00	126,641.02	114,641.02
Total Operating Revenues	5,243,000.00	-	5,243,000.00	5,828,420.64	585,420.64
Non-Operating Revenues:					
Investment Income	25,000.00	-	25,000.00	270,515.93	245,515.93
Total Non-Operating Revenues	25,000.00	-	25,000.00	270,515.93	245,515.93
Total Anticipated Revenues	5,268,000.00	-	5,268,000.00	6,098,936.57	830,936.57
Operating Appropriations:					
Administration:					
Salaries and Wages	215,000.00	-	215,000.00	196,007.28	18,992.72
Fringe Benefits	102,000.00	-	102,000.00	96,849.19	5,150.81
Other Expenses:					
Professional Services	148,000.00	-	148,000.00	76,747.56	71,252.44
Insurance	105,600.00	-	105,600.00	104,326.60	1,273.40
Equipment Rental	5,000.00	-	5,000.00	2,652.24	2,347.76
Other Employee Expenses	2,000.00	-	2,000.00		2,000.00
Dues and Memberships	5,000.00	-	5,000.00	2,591.50	2,408.50
Conferences & Seminars	4,000.00	-	4,000.00	5,218.00	(1,218.00)
Office Expense	5,000.00	-	5,000.00	2,450.42	2,549.58
Public Advertising	5,000.00	-	5,000.00	1,259.35	3,740.65
Printing	3,000.00	-	3,000.00	3,233.63	(233.63)
Postage	20,000.00	-	20,000.00	19,299.85	700.15
Computer Maintenance & Upgrade	20,000.00	-	20,000.00	10,797.63	9,202.37
Software Licenses					
and Internet / Website	20,000.00	-	20,000.00	16,608.27	3,391.73
Miscellaneous	7,000.00	-	7,000.00	4,451.93	2,548.07
Total Other Expenses	349,600.00	-	349,600.00	249,636.98	99,963.02
Total Administration	666,600.00	-	666,600.00	542,493.45	124,106.55

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
Non-Operating Appropriations Compared to Budget--Budgetary Basis  
Sewer Division  
For the Fiscal Year Ended November 30, 2023

	<u>Original Budget</u>	<u>Transfers/ Modifications</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance Favorable (Unfavorable)</u>
Operating Appropriations (Cont'd):					
Cost of Providing Service:					
Operations:					
Salaries and Wages	\$ 959,000.00	\$ -	\$ 959,000.00	\$ 966,271.50	\$ (7,271.50)
Fringe Benefits	598,000.00	-	598,000.00	459,706.97	138,293.03
Other Expenses:					
Cape May County MUA Agreement	600,000.00	-	600,000.00	539,198.00	60,802.00
Chemical Costs - Treatment Plant	205,000.00	-	205,000.00	125,535.41	79,464.59
Buildings and Grounds	52,000.00	-	52,000.00	30,279.04	21,720.96
Utility Costs	377,500.00	-	377,500.00	321,839.56	55,660.44
Collection Materials & Supplies	160,000.00	-	160,000.00	54,483.77	105,516.23
Sludge Handling and Disposal	335,000.00	-	335,000.00	344,408.51	(9,408.51)
Laboratory Analysis	25,000.00	-	25,000.00	38,001.28	(13,001.28)
Laboratory Operations	12,000.00	-	12,000.00	16,214.91	(4,214.91)
Materials and Supplies	125,000.00	-	125,000.00	43,152.12	81,847.88
Permits and Other Fees	65,000.00	-	65,000.00	43,940.55	21,059.45
Safety	20,000.00	-	20,000.00	13,261.15	6,738.85
Tools	10,000.00	-	10,000.00	1,272.60	8,727.40
Fuel and Transportation	86,500.00	-	86,500.00	77,190.97	9,309.03
Training and Seminars	7,000.00	-	7,000.00	4,642.50	2,357.50
Uniforms	-	-	-	2,823.00	(2,823.00)
Miscellaneous	-	-	-	450.00	(450.00)
Total Other Expenses	2,080,000.00	-	2,080,000.00	1,656,693.37	423,306.63
Total Cost of Providing Service	3,637,000.00	-	3,637,000.00	3,082,671.84	554,328.16
Principal Payments on Debt Service in Lieu of Depreciation	66,600.00	-	66,600.00	66,600.00	
Total Operating Appropriations	4,370,200.00	-	4,370,200.00	3,691,765.29	678,434.71
Non-Operating Appropriations:					
Interest on Debt	27,350.00	-	27,350.00	28,234.78	(884.78)
Renewal & Replacement Reserves	2,556,000.00	-	2,556,000.00	2,556,000.00	
Municipal Appropriation	80,000.00	-	80,000.00	80,000.00	
Total Non-Operating Appropriations	2,663,350.00	-	2,663,350.00	2,664,234.78	(884.78)
Net Total Appropriations	7,033,550.00	-	7,033,550.00	6,356,000.07	677,549.93
Excess (Deficit) in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ (1,765,550.00)	\$ -	\$ (1,765,550.00)	\$ (257,063.50)	\$ 1,508,486.50

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Operations -- Revenues, Operating Appropriations, Principal Payments and  
Non-Operating Appropriations Compared to Budget--Budgetary Basis  
For the Fiscal Year Ended November 30, 2023

**Reconciliation of Excess (Deficit) Anticipated Revenues  
Over Operating, Principal Payments and Non-Operating  
Appropriations to Operating Income**

	<u>Water Division</u>	<u>Sewer Division</u>	<u>Total</u>
Excess (Deficit) in Anticipated Revenues Over Operating, Principal Payments and Non-Operating Appropriations	\$ 1,374,021.70	\$ (257,063.50)	\$ 1,116,958.20
Add / Subtract Adjustments:			
Water Tower Rental Payments	(255,329.61)		(255,329.61)
Investment Income	(270,515.93)	(270,515.93)	(541,031.86)
Debt Service Principal Payments	455,945.52	66,600.00	522,545.52
Interest on Debt	342,270.56	28,234.78	370,505.34
Contribution to Lower Township Per N.J.S.A. 40A:5A-1	80,000.00	80,000.00	160,000.00
	<u>2,837,392.24</u>	<u>2,203,255.35</u>	5,040,647.59
Depreciation			(1,739,329.06)
Difference of GAAP Pension Expense vs. Budgetary Basis			(7,569.00)
Difference of GAAP OPEB Expense vs. Budgetary Basis			<u>64,695.48</u>
Operating Income (Exhibit B)			<u><u>\$ 3,358,445.01</u></u>

## TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY

Schedule of Revenue Bonds Payable  
For the Fiscal Year Ended November 30, 2023

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Maturities of Bonds</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2022</u>	<u>Paid or Amortized</u>	<u>Balance Nov. 30, 2023</u>
			<u>Date</u>	<u>Amount</u>				
Revenue Refunding Bonds, Series 2012	05/30/12	\$ 3,725,000.00	12/01/23	\$ 185,000.00	3.250%			
			12/01/24	190,000.00	3.250%			
			12/01/25	195,000.00	3.250%			
			12/01/26	205,000.00	3.250%			
			12/01/27	210,000.00	3.250%			
			12/01/28	215,000.00	3.375%			
			12/01/29	220,000.00	3.375%			
			12/01/30	230,000.00	3.375%			
			12/01/31	240,000.00	3.375%			
			12/01/32	250,000.00	3.375%			
				<u>\$ 2,140,000.00</u>		\$ 2,320,000.00	\$ 180,000.00	\$ 2,140,000.00
Premium on Bonds						2,314.13	365.97	1,948.16
						<u>\$ 2,322,314.13</u>	<u>\$ 180,365.97</u>	<u>\$ 2,141,948.16</u>

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of USDA Loans  
For the Fiscal Year Ended November 30, 2023

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2022</u>	<u>Paid</u>	<u>Balance Nov. 30, 2023</u>
			<u>Date</u>	<u>Amount</u>				
USDA Loan - 2010	01/15/10	\$ 1,875,000.00	02/25/24	\$ 16,546.00	4.000%			
			08/25/24	16,877.00	4.000%			
			02/25/25	17,215.00	4.000%			
			08/25/25	17,559.00	4.000%			
			02/25/26	17,910.00	4.000%			
			08/25/26	18,268.00	4.000%			
			02/25/27	18,634.00	4.000%			
			08/25/27	19,006.00	4.000%			
			02/25/28	19,386.00	4.000%			
			08/25/28	19,774.00	4.000%			
			02/25/29	20,170.00	4.000%			
			08/25/29	20,573.00	4.000%			
			02/25/30	20,985.00	4.000%			
			08/25/30	21,404.00	4.000%			
			02/25/31	21,832.00	4.000%			
			08/25/31	22,269.00	4.000%			
			02/25/32	22,714.00	4.000%			
			08/25/32	23,169.00	4.000%			
			02/25/33	23,632.00	4.000%			
			08/25/33	24,105.00	4.000%			
			02/25/34	24,587.00	4.000%			
			08/25/34	25,078.00	4.000%			
			02/25/35	25,580.00	4.000%			
			08/25/35	26,092.00	4.000%			
			02/25/36	26,613.00	4.000%			
			08/25/36	27,146.00	4.000%			
			02/25/37	27,689.00	4.000%			
			08/25/37	28,242.00	4.000%			
			02/25/38	28,807.00	4.000%			
			08/25/38	29,383.00	4.000%			
			02/25/39	29,971.00	4.000%			
			08/25/39	30,571.00	4.000%			
			02/25/40	31,182.00	4.000%			
			08/25/40	31,806.00	4.000%			
			02/25/41	32,442.00	4.000%			
			08/25/41	33,091.00	4.000%			
			02/25/42	33,752.00	4.000%			
			08/25/42	34,427.00	4.000%			
			02/25/43	35,116.00	4.000%			

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of USDA Loans  
For the Fiscal Year Ended November 30, 2023

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2022</u>	<u>Paid</u>	<u>Balance Nov. 30, 2023</u>
			<u>Date</u>	<u>Amount</u>				
USDA Loan - 2010 (Continued)	01/15/10	\$ 1,875,000.00	08/25/43	\$ 35,818.00	4.000%			
			02/25/44	36,535.00	4.000%			
			08/25/44	37,265.00	4.000%			
			02/25/45	38,011.00	4.000%			
			08/25/45	38,771.00	4.000%			
			02/25/46	39,546.00	4.000%			
			08/25/46	40,337.00	4.000%			
			02/25/47	41,144.00	4.000%			
			08/25/47	41,967.00	4.000%			
			02/25/48	42,806.00	4.000%			
			08/25/48	43,662.00	4.000%			
			02/25/49	44,535.00	4.000%			
			08/26/49	45,426.00	4.000%			
			02/25/50	42,952.00	4.000%			
				<u>\$ 1,532,378.00</u>		\$ 1,564,504.00	\$ 32,126.00	\$ 1,532,378.00
USDA Loan - 2013	09/19/13	8,167,000.00	03/19/24	\$ 80,664.94	2.125%			
			09/19/24	81,522.01	2.125%			
			03/19/25	82,388.18	2.125%			
			09/19/25	83,263.55	2.125%			
			03/19/26	84,148.23	2.125%			
			09/19/26	85,042.30	2.125%			
			03/19/27	85,945.88	2.125%			
			09/19/27	86,859.06	2.125%			
			03/19/28	87,781.93	2.125%			
			09/19/28	88,714.61	2.125%			
			03/19/29	89,657.21	2.125%			
			09/19/29	90,609.81	2.125%			
			03/19/30	91,572.54	2.125%			
			09/19/30	92,545.50	2.125%			
			03/19/31	93,528.80	2.125%			
			09/19/31	94,522.54	2.125%			
			03/19/32	95,526.84	2.125%			
			09/19/32	96,541.82	2.125%			
			03/19/33	97,567.57	2.125%			
			09/19/33	98,604.23	2.125%			
			03/19/34	99,651.90	2.125%			
			09/19/34	100,710.70	2.125%			

(Continued)



**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of USDA Loans  
For the Fiscal Year Ended November 30, 2023

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2022</u>	<u>Paid</u>	<u>Balance Nov. 30, 2023</u>
			<u>Date</u>	<u>Amount</u>				
USDA Loan - 2013 (Continued)	09/19/13	\$ 8,167,000.00	03/19/35	\$ 101,780.75	2.125%			
			09/19/35	102,862.17				
			03/19/36	103,955.08	2.125%			
				105,059.60	2.125%			
				106,175.86	2.125%			
			09/19/37		2.125%			
			03/19/38		2.125%			
			09/19/38		2.125%			
			03/19/39		2.125%			
			09/19/39	111,937.60	2.125%			
			03/19/40	113,126.93				
			09/19/40	114,328.91				
			03/19/41	115,543.65	2.125%			
				116,771.30	2.125%			
			03/19/42		2.125%			
			09/19/42		2.125%			
			03/19/43		2.125%			
			09/19/43	121,813.74	2.125%			
			03/19/44	123,108.01				
			09/19/44	124,416.03				
			03/19/45	125,737.96	2.125%			
				127,073.92	2.125%			
				128,424.08	2.125%			
			09/19/46		2.125%			
			03/19/47		2.125%			
			09/19/47	132,561.25	2.125%			
			03/19/48	133,969.71				
			09/19/48	135,393.14				
			03/19/49	136,831.69	2.125%			
				138,285.53	2.125%			
				139,754.81	2.125%			
				141,239.71	2.125%			
				142,740.38	2.125%			
				144,256.99	2.125%			
				145,789.72	2.125%			
				147,338.74	2.125%			
				148,904.21	2.125%			
				149,052.10	2.125%			
				\$ 6,720,475.99		\$ 6,879,270.63	\$ 158,794.64	\$

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of USDA Loans  
For the Fiscal Year Ended November 30, 2023

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2022</u>	<u>Paid</u>	<u>Balance Nov. 30, 2023</u>
			<u>Date</u>	<u>Amount</u>				
USDA Loan - 2017	10/13/17	\$ 3,526,000.00	04/13/24	\$ 32,003.30	2.125%			
			10/13/24	32,343.34	2.125%			
			04/13/25	32,686.98	2.125%			
			10/13/25	33,034.28	2.125%			
			04/13/26	33,385.27	2.125%			
			10/13/26	33,739.99	2.125%			
			04/13/27	34,098.48	2.125%			
			10/13/27	34,460.78	2.125%			
			04/13/28	34,826.92	2.125%			
			10/13/28	35,196.96	2.125%			
			04/13/29	35,570.92	2.125%			
			10/13/29	35,948.87	2.125%			
			04/13/30	36,330.82	2.125%			
			10/13/30	36,716.84	2.125%			
			04/13/31	37,106.95	2.125%			
			10/13/31	37,501.22	2.125%			
			04/13/32	37,899.67	2.125%			
			10/13/32	38,302.35	2.125%			
			04/13/33	38,709.31	2.125%			
			10/13/33	39,120.60	2.125%			
			04/13/34	39,536.25	2.125%			
			10/13/34	39,956.33	2.125%			
			04/13/35	40,380.86	2.125%			
			10/13/35	40,809.91	2.125%			
			04/13/36	41,243.52	2.125%			
			10/13/36	41,681.73	2.125%			
			04/13/37	42,124.60	2.125%			
			10/13/37	42,572.17	2.125%			
			04/13/38	43,024.50	2.125%			
			10/13/38	43,481.63	2.125%			
			04/13/39	43,943.63	2.125%			
			10/13/39	44,410.53	2.125%			
			04/13/40	44,882.39	2.125%			
			10/13/40	45,359.27	2.125%			
			04/13/41	45,841.21	2.125%			
			10/13/41	46,328.27	2.125%			
			04/13/42	46,820.51	2.125%			
			10/13/42	47,317.98	2.125%			

(Continued)

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of USDA Loans  
For the Fiscal Year Ended November 30, 2023

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2022</u>	<u>Paid</u>	<u>Balance Nov. 30, 2023</u>
			<u>Date</u>	<u>Amount</u>				
USDA Loan - 2017 (Continued)	10/13/17	\$ 3,526,000.00	04/13/43	\$ 47,820.73	2.125%			
			10/13/43	48,328.82	2.125%			
			04/13/44	48,842.32	2.125%			
			10/13/44	49,361.27	2.125%			
			04/13/45	49,885.73	2.125%			
			10/13/45	50,415.77	2.125%			
			04/13/46	50,951.43	2.125%			
			10/13/46	51,492.79	2.125%			
			04/13/47	52,039.90	2.125%			
			10/13/47	52,592.83	2.125%			
			04/13/48	53,151.63	2.125%			
			10/13/48	53,716.36	2.125%			
			04/13/49	54,287.10	2.125%			
			10/13/49	54,863.90	2.125%			
			04/13/50	55,446.83	2.125%			
			10/13/50	56,035.95	2.125%			
			04/13/51	56,631.33	2.125%			
			10/13/51	57,233.04	2.125%			
			04/13/52	57,841.14	2.125%			
			10/13/52	58,455.71	2.125%			
			04/13/53	59,076.80	2.125%			
			10/13/53	59,704.49	2.125%			
			04/13/54	60,338.85	2.125%			
			10/13/54	60,979.95	2.125%			
			04/13/55	61,627.86	2.125%			
			10/13/55	62,282.66	2.125%			
			04/13/56	62,944.41	2.125%			
			10/13/56	63,613.19	2.125%			
			04/13/57	64,289.08	2.125%			
			10/13/57	64,267.71	2.125%			
				<u>\$ 3,167,218.72</u>		<u>\$ 3,230,219.48</u>	<u>\$ 63,000.77</u>	<u>\$ 3,167,218.71</u>
						<u>\$ 11,673,994.11</u>	<u>\$ 253,921.41</u>	<u>\$ 11,420,072.70</u>

## TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY

Schedule of NJIB Loans Payable

For the Fiscal Year Ended November 30, 2023

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2022</u>	<u>Decrease</u>	<u>Balance Nov. 30, 2023</u>
			<u>Date</u>	<u>Amount</u>				
2020 New Jersey Infrastructure Bank Trust Loan	05/13/20	\$ 715,000.00	08/01/24	\$ 15,000.00	5.000%			
			08/01/25	15,000.00	5.000%			
			08/01/26	20,000.00	5.000%			
			08/01/27	20,000.00	5.000%			
			08/01/28	20,000.00	5.000%			
			08/01/29	20,000.00	5.000%			
			08/01/30	20,000.00	5.000%			
			08/01/31	20,000.00	4.000%			
			08/01/32	25,000.00	2.125%			
			08/01/33	25,000.00	2.250%			
			08/01/34	25,000.00	2.375%			
			08/01/35	25,000.00	2.375%			
			08/01/36	25,000.00	2.500%			
			08/01/37	25,000.00	2.500%			
			08/01/38	25,000.00	2.625%			
			08/01/39	25,000.00	2.625%			
			08/01/40	30,000.00	2.625%			
			08/01/41	30,000.00	2.750%			
			08/01/42	30,000.00	3.000%			
			08/01/43	30,000.00	3.000%			
			08/01/44	30,000.00	3.000%			
			08/01/45	30,000.00	3.000%			
			08/01/46	35,000.00	3.000%			
			08/01/47	35,000.00	3.000%			
			08/01/48	35,000.00	3.000%			
			08/01/49	35,000.00	3.000%			
				<u>\$ 670,000.00</u>		\$ 685,000.00	\$ 15,000.00	\$ 670,000.00
2020 New Jersey Infrastructure Bank Fund Loan	05/13/20	2,184,182.00	02/01/24	\$ 24,541.37				
			08/01/24	49,082.74				
			02/01/25	24,541.37				
			08/01/25	49,082.74				
			02/01/26	24,541.37				

(Continued)

## TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY

Schedule of NJIB Loans Payable

For the Fiscal Year Ended November 30, 2023

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance Dec. 1, 2022</u>	<u>Decrease</u>	<u>Balance Nov. 30, 2023</u>
			<u>Date</u>	<u>Amount</u>				
2020 New Jersey Infrastructure Bank Fund Loan (Cont'd)	05/13/20	\$ 2,184,182.00	08/01/26	\$ 49,082.74				
			02/01/27	24,541.37				
			08/01/27	49,082.74				
			02/01/28	24,541.37				
			08/01/28	49,082.74				
			02/01/29	24,541.37				
			08/01/29	49,082.74				
			02/01/30	24,541.37				
			08/01/30	49,082.74				
			02/01/31	24,541.37				
			08/01/31	49,082.74				
			02/01/32	24,541.37				
			08/01/32	49,082.74				
			02/01/33	24,541.37				
			08/01/33	49,082.74				
			02/01/34	24,541.37				
			08/01/34	49,082.74				
			02/01/35	24,541.37				
			08/01/35	49,082.74				
			02/01/36	24,541.37				
			08/01/36	49,082.74				
			02/01/37	24,541.37				
			08/01/37	49,082.74				
			02/01/38	24,541.37				
			08/01/38	49,082.74				
			02/01/39	24,541.37				
			08/01/39	49,082.74				
			02/01/40	24,541.37				
			08/01/40	49,082.74				
			02/01/41	24,541.37				
			08/01/41	49,082.74				
			02/01/42	24,541.37				
			08/01/42	49,082.74				
			02/01/43	24,541.37				
			08/01/43	49,082.74				

(Continued)

## TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY

Schedule of NJIB Loans Payable

For the Fiscal Year Ended November 30, 2023

<u>Purpose</u>	<u>Date of Issue</u>	<u>Original Issue</u>	<u>Loan Principal Payments</u>		<u>Interest Rate</u>	<u>Balance</u>	<u>Decrease</u>	<u>Balance</u>
			<u>Date</u>	<u>Amount</u>		<u>Dec. 1, 2022</u>		<u>Nov. 30, 2023</u>
2020 New Jersey Infrastructure Bank Fund Loan (Cont'd)	05/13/20	\$ 2,184,182.00	02/01/44	\$ 24,541.37				
			08/01/44	49,082.74				
			02/01/45	24,541.37				
			08/01/45	49,082.74				
			02/01/46	24,541.37				
			08/01/46	49,082.74				
			02/01/47	24,541.37				
			08/01/47	49,082.74				
			02/01/48	24,541.37				
			08/01/48	49,082.74				
			02/01/49	24,541.37				
			08/01/49	49,082.81				
				<u>\$ 1,914,226.93</u>		<u>\$ 1,987,851.04</u>	<u>\$ 73,624.11</u>	<u>\$ 1,914,226.93</u>
						2,672,851.04	88,624.11	2,584,226.93
Premium on Loans						<u>37,788.27</u>	<u>2,390.12</u>	<u>35,398.15</u>
						<u>\$ 2,710,639.31</u>	<u>\$ 91,014.23</u>	<u>\$ 2,619,625.08</u>

**TOWNSHIP OF LOWER  
MUNICIPAL UTILITIES AUTHORITY**

**PART II**

**SINGLE AUDIT SECTION**

**FOR THE FISCAL YEAR ENDED  
NOVEMBER 30, 2023**

**REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND REPORT ON INTERNAL CONTROL  
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE AND  
STATE OF NEW JERSEY CIRCULAR 15-08-OMB**

**INDEPENDENT AUDITOR'S REPORT**

The Chairman and Members of  
The Board of Commissioners of the  
Township of Lower Municipal Utilities Authority  
Villas, New Jersey

**Report on Compliance for Each Major Federal and State Program**

***Opinion on Each Major Federal and State Program***

We have audited the Township of Lower Municipal Utilities Authority's (the Authority), in the County of Cape May, State of New Jersey, a component unit of the Township of Lower, compliance with the types of compliance requirements identified as subject to audit in the *OMB Compliance Supplement* and the *New Jersey State Grant Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal and state programs for the fiscal year ended November 30, 2023. The Authority's major federal and state programs are identified in the *Summary of Auditor's Results* section of the accompanying *Schedule of Findings and Questioned Costs*.

In our opinion, the Township of Lower Municipal Utilities Authority, in the County of Cape May, State of New Jersey, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the fiscal year ended November 30, 2023.

***Basis for Opinion on Each Major Federal and State Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; the audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey; the audit requirements of Title 2 U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the audit requirements of State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Our responsibilities under those standards, the Uniform Guidance, and State of New Jersey Circular 15-08-OMB, are further described in the *Auditor's Responsibilities for the Audit of Compliance* section of our report.

We are required to be independent of the Authority and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal and state program. Our audit does not provide a legal determination of the Authority's compliance with the compliance requirements referred to above.



***Responsibilities of Management for Compliance***

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

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

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the Authority's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with auditing standards generally accepted in the United States of America; *Government Auditing Standards*; the Bureau of Authority Regulation, Department of Community Affairs, State of New Jersey; Uniform Guidance; and State of New Jersey Circular 15-08-OMB, will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material, if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgement made by a reasonable user of the report on compliance about the Authority's compliance with the requirements of each major federal and state program as a whole.

In performing an audit in accordance with auditing standards generally accepted in the United States of America, *Government Auditing Standards*, the Uniform Guidance, and State of New Jersey Circular 15-08-OMB, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance and State of New Jersey Circular 15-08-OMB, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

**Report on Internal Control Over Compliance**

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

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

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

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

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants

Voorhees, New Jersey  
August 11, 2025

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Expenditures of Federal Awards  
For the Fiscal Year Ended November 30, 2023

Federal Grantor/ Pass-through <u>Grantor/Program Title</u>	Assistance Listing <u>Number</u>	Additional Award <u>Identification</u>	Pass Through Entity Identifying <u>Number</u>	Program or Award <u>Amount</u>	<u>Grant Period</u>		Balance <u>Nov. 30, 2022</u>	Receipts or Revenues <u>Recognized</u>	Disbursed/ <u>Expended</u>	Passed Through to <u>Subrecipients</u>	Balance <u>Nov. 30, 2023</u>	<u>Memo Only</u>	
					<u>From</u>	<u>To</u>						<u>Cash Collected</u>	<u>Accumulated Expenditures</u>
<b><u>United States Environmental Protection Agency</u></b>													
Passed Through N.J. Department of Environmental Protection:													
Clean Water State Revolving Funds (CWSRF) Cluster:													
Capitalization Grants for Clean													
Water State Revolving Funds - Vacuum Sewer Expansion	66.458	None	S340810-05	\$14,391,975.50	4/21/21	Completion	\$ -	\$ 4,538,504.00	\$ (4,538,504.00)	\$ -	\$ -	\$ 5,629,292.00	\$ 12,469,358.50
Drinking Water State Revolving Funds (DWSRF) Cluster:													
Capitalization Grants for Drinking													
Water State Revolving Funds - Del Haven Water Expansion	66.468	None	0505002-004	5,389,273.00	6/11/21	Completion		972,041.50	(972,041.50)			2,231,961.00	5,533,464.50
							\$ -	\$ 5,510,545.50	\$ (5,510,545.50)	\$ -	\$ -	\$ 7,861,253.00	\$ 18,002,823.00

The accompanying Notes to Financial Statements and Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Expenditures of State Financial Assistance  
For the Fiscal Year Ended November 30, 2023

State Grantor/ Program Title	State GMIS Number	Pass-through Grantors' Number	Program or Award Amount	Grant Period		Balance Nov. 30, 2022	Receipts or Revenues Recognized	Disbursed/ Expended	Passed Through to Subrecipients	Balance Nov. 30, 2023	Memo Only		
				From	To						Cash Collected	Accumulated Expenditures	
State of New Jersey,													
NJ Environmental Infrastructure Bank Financing Program:													
Vacuum Sewer Expansion	042-4860-711-010	S340810-05	\$14,391,975.50	4/21/21	Completion	\$ -	\$ 4,538,504.00	\$ (4,538,504.00)	\$ -	\$ -	\$ 5,629,292.00	\$ 12,469,358.50	
Del Haven Water Expansion	042-4840-707-010	0505002-004	5,389,273.00	6/11/21	Completion		972,041.50	(972,041.50)			2,231,961.00	5,533,464.50	
						\$ -	\$ 5,510,545.50	\$ (5,510,545.50)	\$ -	\$ -	\$ 7,861,253.00	\$ 18,002,823.00	

The accompanying Notes to Financial Statements and Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance are an integral part of this schedule.

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance  
For the Fiscal Year Ended November 30, 2023

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**Note 1: BASIS OF PRESENTATION**

The accompanying schedules of expenditures of federal awards and state financial assistance ("the schedules") include federal and state award activity of the Township of Lower Municipal Utilities Authority (hereafter referred to as the "Authority") under programs of the federal government and state government for the fiscal year ended November 30, 2023. The Authority is defined in note 1 to the Authority's basic financial statements. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal and state awards received directly from federal and state agencies, as well as federal awards and state financial assistance passed through other government agencies, are included on the schedules. Because these schedules present only a selected portion of the operations of the Authority, it is not intended to and does not present the financial position and changes in operations of the Authority.

**Note 2: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accompanying schedules are presented using the accrual basis of accounting. This basis of accounting is described in note 1 to the Authority's basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and State of New Jersey Circular 15-08-OMB, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*, wherein certain types of expenditures are not allowed or are limited as to reimbursement. The expenditures reflected in the schedules are presented at the federal and state participation level; thus, any matching portion is not included.

**Note 3: INDIRECT COST RATE**

The Authority has elected not to use the 10-percent de minimis indirect cost rate allowed under the Uniform Guidance.

**Note 4: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS**

Amounts reported in the accompanying schedules are reconciled to the amounts reported in the Authority's basic financial statements as follows:

	Schedule of Expenditures of	
	Federal <u>Awards</u>	State Financial <u>Assistance</u>
Expended in Current Fiscal Year, Reported in Construction in Progress	\$ 5,510,545.50	\$ 5,510,545.50

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Notes to Schedules of Expenditures of Federal Awards and State Financial Assistance (Cont'd)  
For the Fiscal Year Ended November 30, 2023

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**Note 5: RELATIONSHIP TO FEDERAL AND STATE FINANCIAL REPORTS**

Amounts reported in the accompanying schedules agree with the amounts reported in the related federal and state financial reports.

**Note 6: MAJOR PROGRAMS**

Major programs are identified in the *Summary of Auditor's Results* section of the *Schedule of Findings and Questioned Costs*.

**TOWNSHIP OF LOWER  
MUNICIPAL UTILITIES AUTHORITY**

**PART III**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS**

**FOR THE FISCAL YEAR ENDED  
NOVEMBER 30, 2023**

## TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY

## Schedule of Findings and Questioned Costs For the Fiscal Year Ended November 30, 2023

## Section 1- Summary of Auditor's Results

## Financial Statements

Type of auditor's report issued	Unmodified
---------------------------------	------------

Internal control over financial reporting:

Material weakness(es) identified? yes   X   no

Significant deficiency(ies) identified?                                  yes    X    none reported

Noncompliance material to financial statements noted?                      yes    X    no

## Federal Awards

Internal control over major programs:

Material weakness(es) identified? yes   X   no

Significant deficiency(ies) identified?                                  yes    X    none reported

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

Any audit findings disclosed that are required to be reported in accordance with Section 516 of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance)?

yes    ☒    no

Identification of major programs:

**Assistance Listing Number(s)**

**Name of Federal Program or Cluster**

66.458

## Capitalization Grants for Cleaning Water State Revolving Funds (CWSRF) Cluster

Dollar threshold used to determine Type A programs	\$ 750,000.00
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Auditee qualified as low-risk auditee? yes ☒ no



**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**

## Schedule of Findings and Questioned Costs For the Fiscal Year Ended November 30, 2023

## Section 1- Summary of Auditor's Results (Cont'd)

## State Financial Assistance

Internal control over major programs:

Material weakness(es) identified? yes   X   no

Significant deficiency(ies) identified?                      yes    X    none reported

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

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

Identification of major programs:

**GMIS Number(s)**

**Name of State Program**

042-4860-711-010

## New Jersey Infrastructure Bank Financing Program

Dollar threshold used to determine Type A programs	\$ 750,000.00
--	---------------

Auditee qualified as low-risk auditee? yes   X   no

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Schedule of Findings and Questioned Costs  
For the Fiscal Year Ended November 30, 2023

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***Section 2- Schedule of Financial Statement Findings***

This section identifies the significant deficiencies, material weaknesses, fraud, noncompliance with provisions of laws, regulations, contracts, and grant agreements related to financial statements for which *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Government Services, Department of Community Affairs, State of New Jersey, requires.

**None.**

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***Section 3- Schedule of Federal Award Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and significant instances of abuse related to the audit of major Federal programs, as required by Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

**None.**

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***Section 4- Schedule of State Financial Assistance Findings and Questioned Costs***

This section identifies the significant deficiencies, material weaknesses, material instances of noncompliance, including questioned costs, and significant instances of abuse related to the audit of major State programs, as required by State of New Jersey Circular 15-08-OMB.

**None.**

**TOWNSHIP OF LOWER MUNICIPAL UTILITIES AUTHORITY**  
Summary Schedule of Prior Year Audit Findings  
and Questioned Costs as Prepared by Management

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This section identifies the status of prior year findings related to the financial statements that are required to be reported in accordance with *Government Auditing Standards* and audit requirements as prescribed by the Bureau of Authority Regulation, Division of Local Governmental Services, Department of Community Affairs, State of New Jersey.

**FINANCIAL STATEMENT FINDINGS**

None.

**FEDERAL AWARDS**

None.

**STATE FINANCIAL ASSISTANCE**

None.

30300

**APPRECIATION**

We express our appreciation for the assistance and courtesies rendered by the Authority officials during the course of the audit.

Respectfully submitted,

*Bowman & Company LLP*

BOWMAN & COMPANY LLP  
Certified Public Accountants  
& Consultants