

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

Financial Statements and Supplementary Information

For the years ended December 31, 2022 and 2021

(With Independent Auditor's Report thereon)

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
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December 31, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

The Chairman and Members
of the Monmouth County Bayshore Outfall Authority
Belford, New Jersey 07718

Opinion

We have audited the accompanying financial statements of the business-type activities of the Monmouth County Bayshore Outfall Authority as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Monmouth County Bayshore Outfall Authority's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Monmouth County Bayshore Outfall Authority, as of December 31, 2022 and 2021, and the respective changes in financial position and, where applicable, cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

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

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards 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 generally accepted auditing standards 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 Monmouth County Bayshore Outfall 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 Monmouth County Bayshore Outfall Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

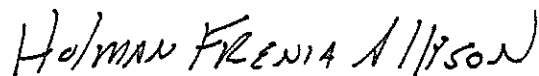
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and the required supplementary information, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Authority's basic financial statements. The schedules of revenues and expenses budget to actual are presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedules of revenues and expenses 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 November 16, 2023 on our consideration of the Monmouth County Bayshore Outfall 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 Monmouth County Bayshore Outfall 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 Monmouth County Bayshore Outfall Authority's internal control over financial reporting and compliance.



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

November 16, 2023
Lakewood, New Jersey



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

The Chairman and Members
of the Monmouth County Bayshore Outfall Authority
Belford, New Jersey 07718

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States and audit requirements as prescribed by Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the Monmouth County Bayshore Outfall Authority (herein referred to as the Authority), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated November 16, 2023.

Report on Internal Control over Financial Reporting

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

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

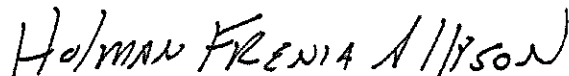
Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies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

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free 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 audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

November 16, 2023
Lakewood, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of Monmouth County Bayshore Outfall Authority's (the Authority) financial activities for the fiscal years ended December 31, 2022 and 2021. It should be read in conjunction with the accompanying financial statements.

Financial Statements

The financial statements included on this report are the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows as of and for the years ended December 31, 2022 and 2021.

The Statements of Net Position show the financial position of the Authority at December 31st of each year. Assets and Deferred Outflow of Resources are compared with liabilities and Deferred Inflow of Resources and Net Position is the result.

The Statements of Revenues, Expenses and Changes in Net Position measure performance for each year and how this performance impacts the net assets of the Authority.

Finally, the Statements of Cash Flows demonstrates why cash balances increased or decreased during the three years shown on this report.

Financial Analysis

The Authority at December 31, 2022 has total assets and deferred outflow of resources of \$10,806,642 compared to \$10,600,431 at December 31, 2021. The increase from 2021 to 2022 can be primarily attributed to the increase in cash, accounts receivable and deferred outflows related to pensions in the amount of \$602,804 offset by the decrease of net capital assets and deferred outflows related to other postemployment benefits totaling \$396,209. The Authority at December 31, 2021 has total assets and deferred outflow of resources of \$10,600,431 compared to \$10,615,431 at December 31, 2020. The decrease from 2020 to 2021 can be primarily attributed to the decrease in cash related to net income in 2021.

The Authority at December 31, 2022 has total liabilities and deferred inflow of resources of \$5,645,491 compared to \$5,947,887 at December 31, 2021. The decrease from 2021 to 2022 can be primarily attributed to the decrease in noncurrent liabilities due to the payment of loans and bonds payable. The Authority at December 31, 2021 has total liabilities and deferred inflow of resources of \$5,947,887 compared to \$6,465,954 at December 31, 2020. The decrease from 2020 to 2021 can be primarily attributed to the decrease in noncurrent liabilities due to the payment of loans and bonds payable.

The Authority at December 31, 2022 has a total net position of \$5,161,151 compared to \$4,652,544 at December 31, 2021. The increase from 2021 to 2022 is primarily related to the operating income for the year end. The Authority at December 31, 2021 has a total net position of \$4,652,544 compared to

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY

\$4,149,477 at December 31, 2020. The increase from 2020 to 2021 is primarily related to the operating income for the year end.

Condensed Financial Information

Key Authority financial information for the years ended December 31, 2022, 2021 and 2020 include the following balances:

<i>ASSETS</i>	<u>2022</u>	<u>2021</u>	<u>2020</u>
Current assets	\$ 4,709,210	\$ 4,241,294	\$ 3,884,520
Property, plant and equipment, net	<u>5,683,442</u>	<u>6,074,400</u>	<u>6,336,045</u>
Total assets	<u>10,392,652</u>	<u>10,315,694</u>	<u>10,220,565</u>
 <i>DEFERRED OUTFLOW OF RESOURCES</i>			
Deferred outflow of resources	<u>413,990</u>	<u>284,737</u>	<u>394,866</u>
Total assets and deferred outflow of resources	<u>\$ 10,806,642</u>	<u>\$ 10,600,431</u>	<u>\$ 10,615,431</u>
 <i>LIABILITIES</i>			
Current liabilities	\$ 356,523	\$ 1,838,437	\$ 1,775,657
Noncurrent liabilities	<u>4,212,336</u>	<u>2,819,896</u>	<u>3,432,073</u>
Total liabilities	<u>4,568,859</u>	<u>4,658,333</u>	<u>5,207,730</u>
 <i>DEFERRED INFLOW OF RESOURCES</i>			
Deferred inflow of resources	<u>1,076,632</u>	<u>1,289,554</u>	<u>1,258,224</u>
Total deferred inflow of resources	<u>1,076,632</u>	<u>1,289,554</u>	<u>1,258,224</u>
 <i>NET POSITION</i>			
Net position	<u>5,161,151</u>	<u>4,652,544</u>	<u>4,149,477</u>
Total liabilities and deferred inflow of resources	<u>\$ 10,806,642</u>	<u>\$ 10,600,431</u>	<u>\$ 10,615,431</u>
 <u>Other Financial Information:</u>			
	<u>2022</u>	<u>2021</u>	<u>2020</u>
Revenues	\$ 2,147,613	\$ 2,076,156	\$ 2,193,417
Expenses	<u>(1,551,350)</u>	<u>(1,485,433)</u>	<u>(1,523,865)</u>
Changes in net position	<u>\$ 596,263</u>	<u>\$ 590,723</u>	<u>\$ 669,552</u>

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Financial Position:

The Authority's revenues showed a favorable variance of \$102,012 for 2022 when compared to budget. Additionally, the Authority's expenses showed a favorable variance of \$340,120 for 2022 when compared to budget. The Authority's revenues showed a favorable variance of \$51,071 for 2021 when compared to budget. Additionally, the Authority's expenses showed a favorable variance of \$381,890 for 2021 when compared to budget. Favorable and unfavorable revenue variances can be attributed to the collection of lower or higher than expected interest income and Solar Renewable Energy Certificates (SRECs). Favorable and unfavorable expense variances can be attributed to lower or higher than expected expenses in each year across the Authority as a whole.

Note from the Authority's Management

The Authority's financial report is designed to provide users of the financial statements with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. The financial statements of the Authority are a matter of public record and may be examined at 200 Harbor Way Belford, New Jersey 07718 during the Authority's business hours.

Respectfully Submitted,



Michael C. Sachs
Chairman

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Statements of Net Position
December 31, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 3,827,016	\$ 3,624,599
Accounts Receivable (Note 4)	264,848	15,209
Inventory	40,342	37,420
Prepaid Expenses	3,462	3,846
Total Current Unrestricted Assets	<u>4,135,668</u>	<u>3,681,074</u>
Restricted Assets:		
Bond Service Fund:		
Cash and Cash Equivalents	295,977	285,997
Bond Reserve Fund:		
Cash and Cash Equivalents	175,996	174,161
Renewal and Replacement Fund:		
Cash and Cash Equivalents	101,569	100,062
Total Current Restricted Assets	<u>573,542</u>	<u>560,220</u>
Total Current Assets	<u>4,709,210</u>	<u>4,241,294</u>
Noncurrent Assets (Note 5):		
Capital Assets	24,789,551	24,789,551
Less: Accumulated Depreciation	(19,106,109)	(18,715,151)
Net Capital Assets	<u>5,683,442</u>	<u>6,074,400</u>
Total Noncurrent Assets	<u>5,683,442</u>	<u>6,074,400</u>
Total Assets	<u>10,392,652</u>	<u>10,315,694</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred Outflows Related to Pensions (Note 7)	178,815	44,311
Deferred Outflows Related to OPEB (Note 8)	235,175	240,426
Total Deferred Outflow of Resources	<u>413,990</u>	<u>284,737</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 10,806,642</u>	<u>\$ 10,600,431</u>

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Statements of Net Position (continued)
December 31, 2022 and 2021

<u>LIABILITIES</u>	<u>2022</u>	<u>2021</u>
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 56,004	\$ 105,105
Accounts Payable - Related to Pensions (Note 7)	76,807	62,471
Accrued Expenses	24,500	21,525
Total Current Liabilities Payable from Unrestricted Assets	157,311	189,101
Current Liabilities Payable from Restricted Assets:		
Construction Loan Payable (Note 6)	-	1,376,707
Accrued Interest Payable	18,287	18,426
NJIB Loans Payable, Net (Note 6)	34,388	109,374
Revenue Bonds Payable, Net (Note 6)	146,537	144,829
Total Current Liabilities Payable from Restricted Assets	199,212	1,649,336
Total Current Liabilities	356,523	1,838,437
Noncurrent Liabilities:		
Long-Term Portion of NJIB Loans Payable (Note 6)	58,048	92,436
Long-Term Portion of Revenue Bonds Payable (Note 6)	475,000	621,537
Temporary Project Note (Note 6)	1,430,000	-
Compensated Absences Payable (Note 6)	114,210	109,791
Net Pension Liability (Note 7)	919,175	631,929
Net Other Post-Employment Benefits Liability (Note 8)	1,215,903	1,364,203
Total Noncurrent Liabilities	4,212,336	2,819,896
Total Liabilities	4,568,859	4,658,333
<u>DEFERRED INFLOW OF RESOURCES</u>		
Deferred Inflows Related to Non-exchange Transactions	200	200
Deferred Inflows Related to Pensions (Note 7)	234,637	516,233
Deferred Inflows Related to OPEB (Note 8)	841,795	773,121
Total Deferred Inflow of Resources	1,076,632	1,289,554
<u>NET POSITION</u>		
Net Investment in Capital Assets	3,272,547	3,374,938
Restricted:		
Bond Service	172,376	169,375
Bond Reserve	172,875	172,875
Renewal and Replacement	100,000	100,000
Unrestricted:		
Net Position Reserved for Capital	30,000	90,000
Unrestricted	1,413,353	745,356
Total Net Position	5,161,151	4,652,544
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 10,806,642	\$ 10,600,431

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2022 and 2021

	2022	2021
Operating Revenues:		
Annual Service Charges	\$ 1,915,572	\$ 1,902,056
Other Operating Revenue	1,200	1,200
Total Operating Revenues	1,916,772	1,903,256
Operating Expenses:		
Cost of Providing Services	933,304	929,132
Administrative Expenses	264,938	196,961
Depreciation Expense	303,301	317,030
Total Operating Expenses	1,501,543	1,443,123
Operating Income	415,229	460,133
Non-Operating Revenues (Expenses):		
Sale of Solar Renewable Energy Certificates (SRECs)	161,177	158,615
Interest Income	59,835	3,456
Interest Expense	(49,807)	(42,310)
Amortization of Bond Premium	9,829	9,829
Insurance Reimbursements	-	1,000
Total Non-Operating Revenues (Expenses)	181,034	130,590
Change in Net Position	596,263	590,723
Depreciation on Assets Purchased with Contributed Capital	(87,656)	(87,656)
Net Income	508,607	503,067
Net Position, January 1,	4,652,544	4,149,477
Net Position, December 31,	\$ 5,161,151	\$ 4,652,544

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Statements of Cash Flows
For the years ended December 31, 2022 and 2021

	2022	2021
Cash Flows from Operating Activities:		
Cash Received from Service Users	\$ 1,665,933	\$ 1,982,432
Cash Paid to Suppliers	(611,717)	(614,476)
Cash Paid to Employees	(819,663)	(791,160)
Cash Received from Others	1,200	1,200
Net Cash Flows From Operating Activities	235,753	577,996
Cash Flows from Capital and Related Financing Activities:		
Principal Paid on Long-Term Debt Used for Capital Assets	(244,373)	(242,024)
Interest Paid on Long-Term Debt Used for Capital Assets	(49,946)	(46,773)
Acquisition of Long-Term Debt Used for Capital Assets	1,430,000	125,636
Insurance Reimbursement	-	1,000
Principal Payment on Construction Loan Payable	(1,376,707)	-
Acquisition and Construction of Capital Assets	-	(143,041)
Net Cash Flows From Capital and Related Financing Activities	(241,026)	(305,202)
Cash Flows from Investing Activities:		
Cash Received from Sale of SRECs	161,177	158,615
Interest on Investments and Deposits	59,835	3,456
Net Cash Provided by Investing Activities	221,012	162,071
 Net Increase in Cash and Cash Equivalents	 215,739	 434,865
Cash and Cash Equivalents, January 1	4,184,819	3,749,954
Cash and Cash Equivalents, December 31	\$ 4,400,558	\$ 4,184,819
 Reconciliation to Statement of Net Position:		
Cash and Cash Equivalents - Unrestricted	\$ 3,827,016	\$ 3,624,599
Cash and Cash Equivalents - Restricted	573,542	560,220
Cash and Cash Equivalents, December 31	\$ 4,400,558	\$ 4,184,819
 Reconciliation of Operating Income to Cash Flows from Operating Activities:		
Change in Operating Income	\$ 415,229	\$ 460,133
Adjustments to Reconcile Operating Income to Net Cash Flows From Operating Activities		
Items Which Did Not Use Cash:		
Depreciation Expense - excluding Grants-in-aid assets	303,301	317,030
Pension Liability Expense - GASB 68	(128,854)	(156,649)
OPEB Liability Expense - GASB 75	(74,375)	(65,290)
Working Capital Changes which provided/(used) cash:		
(Increase)/Decrease in Accounts Receivable	(249,639)	80,376
(Increase)/Decrease in Inventory	(2,922)	1,561
Decrease/(Increase) in Prepaid Expenses	384	(3,846)
Decrease in Accounts Payable	(49,101)	(58,391)
Increase/(Decrease) in Accounts Payable	14,336	(3,377)
Increase in Accrued Expenses	2,975	1,025
Increase in Compensated Absences	4,419	5,424
Total Adjustments	(179,476)	117,863
Net Cash Flows From Operating Activities	\$ 235,753	\$ 577,996

Noncash Investing, Capital, and Financing Activities:

During the years ended December 31, 2022 and 2021, noncash capital contributions received were \$0.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements
For the years ended December 31, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Monmouth County Bayshore Outfall 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

Monmouth County Bayshore Outfall Authority is a public body, politic and corporate that was created on March 18, 1969 by a resolution of the Board of Chosen Freeholders of the County of Monmouth pursuant to Chapter 123 of the Laws of 1946 of the State of New Jersey, as amended, N.J.S.A. 40:36-1 et seq. On April 8, 1978, due to the repeal of the aforementioned statutes, the Authority was reorganized as a county utilities authority pursuant to provisions of the Municipal Utilities Authority Law, constituting Chapter 183 of the Laws of 1957 of the State of New Jersey, as amended, N.J.S.A 40:14B-1 et seq. The Authority is limited to construction and operation of a mainland trunk line, pumping stations and an outfall sewer line in a district comprised of certain municipalities in the Bayshore area of Monmouth County.

Basis of Presentation

The financial statements of the Authority have been prepared on the accrual basis of accounting and in accordance with generally accepted accounting principles ("GAAP") applicable to enterprise funds of State and Local Governments on a going concern basis.

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

The accounting and financial reporting treatment applied to the Authority is determined by its measurement focus. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets, liabilities and deferred inflow or outflow of resources associated with the operations are included on the statement of net position. Net position (i.e., total assets net of total liabilities) are segregated into invested in capital assets, net of related debt and unrestricted components.

Basis of Accounting

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

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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.

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

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

Budgets and Budgetary Accounting

The Authority must adopt an annual budget in accordance with *N.J.A.C. 5:31-2. N.J.A.C. 5:31-2*. This requires the governing body to introduce the annual Authority budget at least 60 days prior to the end of the current fiscal year and to adopt no later than the beginning of the Authority's fiscal year. The governing body may amend the budget at any point during the year by resolution of the Board of Commissioners. The budgetary basis of accounting is utilized to determine the Authority has sufficient cash to operate and pay debt service. As such, certain items such as bond payments are included in budgetary expenses while depreciation is not included.

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

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

Cash and Cash Equivalents

Cash and cash equivalents include cash in banks and may include petty cash. It may also include all highly liquid investments with a maturity of three months or less at the time of purchase and are stated at cost plus accrued interest. Such is the definition of cash and cash equivalents used in the statement of cash flows.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents (continued)

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

There were no securities that met the definition of an investment under GASB Statement No. 40. Credit risk and interest rate risk were therefore mitigated.

Accounts Receivable

Service charges are established by the Board annually. The charges are subject to adjustment by the Board and are made a part of the annual Budget progress. The Authority's customer accounts (two Authorities and a Municipality) are current and management felt there was no need to establish an allowance for doubtful accounts.

Inventory

Inventory is valued at cost, which approximates market, using the first-in-first out (FIFO) method. Supplies estimated to be immaterial at year-end are recorded as an expense when purchased. At December 31, 2022 and 2021, the value of the inventory, consisting of high value repair parts and heating oil was \$40,342 and \$37,420, respectively.

Prepaid Expenses

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

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at cost. Assets contributed by developers are valued at estimated fair market value as of the date of contribution. Costs incurred for construction projects are recorded as construction in progress. In the year that the project is completed, these costs are transferred to capital assets. The Authority has adopted a capitalization threshold of \$2,500.

Depreciation is determined on a straight-line basis for all capital assets. In accordance with National Council of Government Accounting Standards 2, depreciation on assets acquired with capital contributions in aid of construction is recorded as a reduction of contributed capital. Depreciation was provided over the following estimated useful lives:

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Capital Assets (continued)

	<u>Years</u>
Pumping stations, outfall sewer line, monitoring Station, solar power generating system, And maintenance garage	5-40
Office furniture and plant equipment	5-20
Vehicles	5

Deferred Outflows and Deferred Inflows of Resources

In addition to assets, the statements of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then.

In addition to liabilities, the statements of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time.

Compensated Absences

Employees of Monmouth County Bayshore Outfall Authority must use their vacation time in the current year, after the succeeding year, vacation time is lost. Employees will be paid out for one half of their sick days accumulated in accordance with the Authority's Personnel Policy.

Unearned Revenue

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

Deferred Inflows Related to Non-exchange Transactions

The Authority receives payments for connection fees when new users connect to the system. Since the Authority does not supply the user with supplies or services to make the physical connection, this would be considered a non-exchange transaction and recorded as deferred inflow related to non-exchange transactions under deferred inflows of resources. The Authority recognizes the revenue in the period that the user exercises their right to connect to the system.

Bond Discounts/Bond Premium

Bond discounts and bond premiums are deferred and amortized over the term of the bonds. Bond discounts are presented as a reduction of the face amount of the revenue bond payable. Bond premium is presented as an addition to bond payable.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Loan Discounts/Loan Premium

Loan discounts and loan premiums are deferred and amortized over the term of the loans. Loan discounts are presented as a reduction of the face amount of the loans payable. Loan premiums are presented as an addition to loans payable.

Pension & Other Post-Employment Benefits Section

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

Net Position

In accordance with the provisions of GASB Statement No. 34 ("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 – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

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

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

Income Taxes

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

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating and Non-Operating Revenues and Expenses

The Authority defines its operating revenues as income generated directly from the primary activity of the Authority. For the Authority, these revenues are for the collection of treated waste water. Operating expenses are costs incurred to provide the service that is the primary activity of the Authority. All other revenue and expenses not meeting these definitions are reported as non-operating revenues and expenses.

Solar Renewable Energy Certificate (SREC) revenue is recognized in the period the credits are generated.

Use of Estimates

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

Recently Adopted Accounting Pronouncements

The GASB has issued the following Statements which has become effective in the current fiscal year as shown below:

Statement No. 87, Leases. Statement No. 87 establishes a single approach to accounting for and reporting leases by state and local governments. GASB based the new standard on the principle that leases are financing of the right to use an underlying asset. Statement No. 87 is effective for reporting periods beginning after June 15, 2021. The Authority adopted Statement No. 87 in the current year. The implementation of Statement No. 87 did not have a material effect on the financial statements and related disclosures.

New Accounting Pronouncements Not Yet Adopted

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

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

Reclassification

Certain reclassifications of amounts previously reported have been made to the accompanying financial statements to maintain consistency between periods presented. The reclassification had no impact on previously reported net position.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Subsequent Events

Monmouth County Bayshore Outfall Authority has evaluated subsequent events occurring after December 31, 2022 through November 16, 2023, which is the date the financial statements were available to be issued.

NOTE 2: RESTRICTED FUNDS

The Authority is subject to the provisions and restrictions of the Bond Resolution. A summary of the activities of each fund (account) created by the Bond Resolution is covered below (in the priority of the order listed).

Revenue – All revenue received by the Authority. Used for authorized operating expenses and, as of the last day or each quarter, transfers to various accounts described below.

Construction – Proceeds of debt issued and construction grants-in-aid. Used for construction costs of the project.

Bond Service Fund – Amount needed to pay matured principal and interest plus principal and interest due on the next payment dates, respectively. Used for principal and interest payments on the debt service.

Bond Reserve Fund – Amount needed to equal the greatest amount of debt service due in any year. Transfers to meet minimum levels required in the bond service account. Any excess may be transferred into the revenue account.

Renewal and Replacement Fund – Amount needed to increase the balance to equal the renewal and replacement requirements as defined by the resolution. Transfers to meet minimum levels required in the bond service or bond reserve accounts or major repairs, renewals and extensions of the system.

General Fund – All excess funds of the Authority are recorded in the General Fund. At the discretion of the Authority, funds may be transferred to the Revenue Fund and used for any lawful purpose.

The following accounts are required by the 2011 Bond Resolution as of December 31, 2022:

	<u>Amount Required</u>		<u>Balance at Year End</u>		<u>Excess or (Deficiency)</u>
Bond Service Fund	\$ 172,376	\$	295,977	\$	123,601
Bond Reserve Fund	\$ 172,875	\$	175,996	\$	3,121
Renewal and Replacement Fund	\$ 100,000	\$	101,569	\$	1,569

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 2: RESTRICTED FUNDS (continued)

The following accounts are required by the 2011 Bond Resolution as of December 31, 2021:

	<u>Amount Required</u>	<u>Balance at Year End</u>	<u>Excess or (Deficiency)</u>
Bond Service Fund	\$ 169,375	\$ 285,997	\$ 116,622
Bond Reserve Fund	\$ 172,875	\$ 174,161	\$ 1,286
Renewal and Replacement Fund	\$ 100,000	\$ 100,062	\$ 62

NOTE 3: CASH AND CASH EQUIVALENTS

This Authority is governed by the deposit limitations of New Jersey state law. The deposits held at December 31, 2022 and 2021, reported at fair value, are as follows:

	<u>2022</u>	<u>2021</u>
Deposits:		
Demand deposits	\$4,400,558	\$4,184,819
Total deposits	<u>\$4,440,558</u>	<u>\$4,184,819</u>
Reconciliation to Statements of Net Position:		
Current assets:		
Unrestricted cash and cash equivalents	\$3,827,016	\$3,624,599
Restricted cash and cash equivalents	<u>573,542</u>	<u>560,220</u>
Total deposits	<u>\$4,400,558</u>	<u>\$4,184,819</u>

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, *N.J.S.A. 17:9-41* et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2022 and 2021, the Authority's bank balances were insured or exposed to credit risk as follows:

	<u>2022</u>	<u>2021</u>
Insured by FDIC	\$ 250,000	\$ 250,000
Uninsured and Collateralized with securities held by the pledging bank's trust department	<u>81,194</u>	<u>126,929</u>
Total	<u>\$ 331,194</u>	<u>\$ 376,929</u>

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 3: CASH AND CASH EQUIVALENTS (continued)

New Jersey Cash Management Fund

During the years ended December 31, 2022 and 2021, the Authority participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk and are deemed to be cash and cash equivalents for purposes of the Statement of Cash Flows. At December 31, 2022 and 2021, the Authority's deposits with the New Jersey Cash Management Fund were \$4,082,448 and \$3,814,218, respectively.

NOTE 4: ACCOUNTS RECEIVABLE

Accounts receivable balances at December 31, 2022 and 2021 were \$264,848 and \$15,209, respectively. The Authority believes that all receivables are collectible and has not established an allowance for doubtful accounts. Accounts receivable at December 31, 2022 and 2021 consisted of the following:

	<u>2022</u>	<u>2021</u>
Bayshore Regional Sewage Authority	\$ 245,389	\$ -
Solar Renewable Energy Credits	14,673	15,209
Borough of Keansburg	2,251	-
Other receivables	2,535	-
Total	<u>\$ 264,848</u>	<u>\$ 15,209</u>

NOTE 5: CAPITAL ASSETS

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

	Balance December 31, <u>2021</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	Balance December 31, <u>2022</u>
Capital Assets not being depreciated:				
Land	\$ 715,751	\$ -	\$ -	\$ 715,751
Construction in Progress	1,366,749	-	-	1,366,749
Total Capital Assets not being depreciated	<u>2,082,500</u>	<u>-</u>	<u>-</u>	<u>2,082,500</u>
Capital Assets being depreciated:				
Pumping Stations and Outfall Sewer Lines	18,603,588	-	-	18,603,588
Monitoring Station	101,455	-	-	101,455
Solar Power Generating System	2,984,564	-	-	2,984,564
Maintenance Garage	40,636	-	-	40,636
Office Furniture and Plant Equipment	909,410	-	-	909,410
Vehicles	67,398	-	-	67,398
Total Capital Assets being depreciated	<u>22,707,051</u>	<u>-</u>	<u>-</u>	<u>22,707,051</u>
Less: Accumulated Depreciation:	<u>(18,715,151)</u>	<u>(390,958)</u>	<u>-</u>	<u>(19,106,109)</u>
Total Capital Assets being depreciated, net	<u>3,991,900</u>	<u>(390,958)</u>	<u>-</u>	<u>3,600,942</u>
Total Capital Assets, net	<u>\$ 6,074,400</u>	<u>\$ (390,958)</u>	<u>\$ -</u>	<u>\$ 5,683,442</u>

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 5: CAPITAL ASSETS (continued)

The activity in grants-in-aid of construction for the year ended December 31, 2022 is as followed:

	Balance December 31, <u>2021</u>	<u>Additions</u>	Retirements <u>and Transfers</u>	Balance December 31, <u>2022</u>
U.S. Environmental Protection Agency	\$ 7,681,561	\$ -	\$ -	\$ 7,681,561
NJ Department of Environmental Protection	2,985,217	-	-	2,985,217
County of Monmouth	663,567	-	-	663,567
Reimbursements of Upgrade Pump costs:				
Atlantic Highlands/HighlandsRegional Sewerage Authority	126,211	-	-	126,211
NJ Clean Energy Rebate	1,267,512	-	-	1,267,512
Total Grants-in-Aid	<u>12,724,068</u>	<u>-</u>	<u>-</u>	<u>12,724,068</u>
Less: Accumulated Depreciation:	<u>(12,369,489)</u>	<u>(87,656)</u>	<u>-</u>	<u>(12,457,145)</u>
Grants-in-Aid, net	<u>\$ 354,579</u>	<u>\$ (87,656)</u>	<u>\$ -</u>	<u>\$ 266,923</u>

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

	Balance December 31, <u>2020</u>	<u>Additions</u>	Retirements <u>and Transfers</u>	Balance December 31, <u>2021</u>
Capital Assets not being depreciated:				
Land	\$ 715,751	\$ -	\$ -	\$ 715,751
Construction in Progress	1,343,216	23,533	-	1,366,749
Total Capital Assets not being depreciated	<u>2,058,967</u>	<u>23,533</u>	<u>-</u>	<u>2,082,500</u>
Capital Assets being depreciated:				
Pumping Stations and Outfall Sewer Lines	18,603,588	-	-	18,603,588
Monitoring Station	101,455	-	-	101,455
Solar Power Generating System	2,984,564	-	-	2,984,564
Maintenance Garage	40,636	-	-	40,636
Office Furniture and Plant Equipment	789,902	119,508	-	909,410
Vehicles	67,398	-	-	67,398
Total Capital Assets being depreciated	<u>22,587,543</u>	<u>119,508</u>	<u>-</u>	<u>22,707,051</u>
Less: Accumulated Depreciation:	<u>(18,310,465)</u>	<u>(404,686)</u>	<u>-</u>	<u>(18,715,151)</u>
Total Capital Assets being depreciated, net	<u>4,277,078</u>	<u>(285,178)</u>	<u>-</u>	<u>3,991,900</u>
Total Capital Assets, net	<u>\$ 6,336,045</u>	<u>\$ (261,645)</u>	<u>\$ -</u>	<u>\$ 6,074,400</u>

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 5: CAPITAL ASSETS (continued)

The activity in grants-in-aid of construction for the year ended December 31, 2021 is as followed:

	Balance December 31, <u>2020</u>	<u>Additions</u>	Retirements and Transfers	Balance December 31, <u>2021</u>
U.S. Environmental Protection Agency	\$ 7,681,561	\$ -	\$ -	\$ 7,681,561
NJ Department of Environmental Protection	2,985,217	-	-	2,985,217
County of Monmouth	663,567	-	-	663,567
Reimbursements of Upgrade Pump costs:				
Atlantic Highlands/Highlands Regional Sewerage Authority	126,211	-	-	126,211
NJ Clean Energy Rebate	1,267,512	-	-	1,267,512
Total Grants-in-Aid	<u>12,724,068</u>	<u>-</u>	<u>-</u>	<u>12,724,068</u>
Less: Accumulated Depreciation:	<u>(12,281,833)</u>	<u>(87,656)</u>	<u>-</u>	<u>(12,369,489)</u>
Grants-in-Aid, net	<u>\$ 442,235</u>	<u>\$ (87,656)</u>	<u>\$ -</u>	<u>\$ 354,579</u>

NOTE 6: LIABILITIES

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

	Balance <u>December 31, 2021</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>December 31, 2022</u>	Balance Due Within <u>One Year</u>
Revenue Bonds Payable	\$ 755,000	\$ -	\$ 135,000	\$ 620,000	\$ 145,000
Unamortized Bond Premiums	11,366	-	9,829	1,537	1,537
Revenue Bonds Payable, net	<u>766,366</u>	<u>-</u>	<u>144,829</u>	<u>621,537</u>	<u>146,537</u>
Loans Payable	201,810	-	109,374	92,436	34,388
Temporary Project Note	-	1,430,000	-	1,430,000	-
Net Pension Liability	631,929	287,246	-	919,175	-
Net OPEB Liability	1,364,203	-	148,300	1,215,903	-
Compensated Absences	109,791	4,419	-	114,210	-
Construction Loans	<u>1,376,707</u>	<u>-</u>	<u>1,376,707</u>	<u>-</u>	<u>-</u>
	<u>\$ 4,450,806</u>	<u>\$ 1,721,665</u>	<u>\$ 1,779,210</u>	<u>\$ 4,393,261</u>	<u>\$ 180,925</u>

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 6: LIABILITIES (continued)

	Balance <u>December 31, 2020</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>December 31, 2021</u>	Balance Due Within <u>One Year</u>
Revenue Bonds Payable	\$ 885,000	\$ -	\$ 130,000	\$ 755,000	\$ 135,000
Unamortized Bond Premiums	21,195	-	9,829	11,366	9,829
Revenue Bonds Payable, net	<u>906,195</u>	<u>-</u>	<u>139,829</u>	<u>766,366</u>	<u>144,829</u>
Loans Payable	313,834	-	112,024	201,810	109,374
Net Pension Liability	981,589	-	349,660	631,929	-
Net OPEB Liability	1,377,941	-	13,738	1,364,203	-
Compensated Absences	104,367	5,424	-	109,791	-
Construction Loans	<u>1,251,071</u>	<u>125,636</u>	<u>-</u>	<u>1,376,707</u>	<u>1,376,707</u>
	<u>\$ 4,934,997</u>	<u>\$ 131,060</u>	<u>\$ 615,251</u>	<u>\$ 4,450,806</u>	<u>\$ 1,630,910</u>

Net Pension Liability and Net Other Postemployment Benefits Liability

For details on the net other postemployment benefits liability and net pension liability see the Pension Obligations and Other Postemployment Benefits in Note 7 and Note 8, respectively. The Authority's annual required contribution to the Public Employees' Retirement System and Other Postemployment Benefits is budgeted and paid on an annual basis.

Compensated Absences

For the years ended December 31, 2022 and 2021, the Authority accrued compensated absences in the amount of \$114,210 and \$109,791, respectively.

Construction Loans Payable

In order to finance the Pipeline Assessment, the Authority has been drawing down on a construction loan granted by NJEIT in 2019 to be utilized as work progresses through the completion of such construction. As of December 31, 2021, the amount of construction loans outstanding was \$1,376,707 and is reflected as a current liability. For the year ended December 31, 2022, this construction loan was paid off in full by the Authority utilizing a Temporary Bond. See below for more information.

Revenue and Loans Payable

Temporary Bond (2022)

On June 29, 2022, the Authority obtained short term financing through The Depository Trust Company, New York, New York ("DTC") in the amount of \$1,430,000 maturing June 28, 2024. The Project Note Series 2022 loan was obtained at an interest rate of 2.750%. Payments of interest only of approximately \$19,663 through December 31, 2023. A final payment of \$19,663 for interest and \$1,430,000 for principal will be due on June 28, 2024 at the time of maturity. Proceeds of the Project Note Series 2022 were utilized to pay off the balance of the \$1,376,707 construction loan payable balance with NJIB on June 29, 2022.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 6: LIABILITIES (continued)

Revenue and Loans Payable

2002 New Jersey Environmental Infrastructure Trust Bonds

On November 7, 2002, the Authority issued \$970,000 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust 2002 financing program. The Trust Loan Bonds, in the amount of \$475,000, mature annually from 2004 through 2022 and carry interest rates ranging from 3.00% to 5.25%. The Fund Loan Bonds, in the amount of \$495,000 mature semi-annually from August 2003 through August 2022 and were issued on an interest free basis. As of December 31, 2022, the Authority has paid off the Revenue Bond in full.

2003 New Jersey Environmental Infrastructure Trust Bonds

On November 6, 2003, the Authority issued \$241,297 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust 2003 financing program. The Trust Loan Bonds, in the amount of \$125,000, mature annually from 2005 through 2022 and carry interest rates ranging from 3.00% to 5.00%. The Fund Loan Bonds, in the amount of \$116,297 mature semi-annually from August 2004 through August 2022 and were issued on an interest free basis. As of December 31, 2022, the Authority has paid off the Revenue Bond in full.

2005 New Jersey Environmental Infrastructure Trust Bonds

On November 10, 2005, the Authority issued \$607,655 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust 2005 financing program. The Trust Loan Bonds, in the amount of \$310,000, mature annually from 2007 through 2025 and carry interest rates ranging from 4.00% to 5.00%. The Fund Loan Bonds, in the amount of \$297,655 mature semi-annually from August 2006 through August 2025 and were issued on an interest free basis.

Outfall Sewer Bonds (Series 2011)

On January 24, 2011, the Authority issued \$1,835,000 in Revenue Bonds to the Monmouth County Improvement Authority (MCIA) pursuant to the MCIA's 2011 Governmental Loan Program. The bonds mature annually from 2012 through 2026 and carry interest rates from 2.00 to 5.00%. The bonds were issued to finance the net cost of the construction of a solar power generating system and to repay the project notes payable.

Bonds maturing on or before January 15, 2021 are not subject to redemption prior to their stated maturity dates. Bonds maturing on or after January 15, 2022 are subject to redemption commencing on January 15, 2021 at redemption prices equal to 100% of the principal amount of the bonds to be redeemed.

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

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 6: LIABILITIES (continued)

Revenue and Loans Payable (continued)

For the year ended			
<u>December 31,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2023	\$ 179,388	\$ 69,763	\$ 249,151
2024	1,613,048	41,881	1,654,929
2025	185,000	9,563	194,563
2026	165,000	7,875	172,875
	<u>\$ 2,142,436</u>	<u>\$ 129,082</u>	<u>\$ 2,271,518</u>

NOTE 7: PENSION OBLIGATIONS

Public Employees' Retirement System (PERS)

Plan Description

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

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

The following represents the membership tiers for PERS:

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

Service retirement benefits of 1/55th of final average salary for each year of service credit is available to tiers 1 and 2 members upon reaching age 60 and to tier 3 members upon reaching age 62. Service retirement benefits of 1/60th of final average salary for each year of service credit is available to tier 4 members upon reaching age 62 and tier 5 members upon reaching age 65. Early retirement benefits are available to tiers 1 and 2 members before reaching age 60, tiers 3 and 4 with 25 or more years of service credit before age 62 and tier 5 with 30 or more years of service credit before age 65. Benefits are reduced by a fraction of a percent for each month that a member retires prior to the age at which a member can receive full early retirement benefits in accordance with their respective tier. Tier 1 members can receive an unreduced benefit from age 55 to age 60 if they have at least 25 years of

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 7: PENSION OBLIGATIONS (continued)

Plan Description (continued)

service. Deferred retirement is available to members who have at least 10 years of service credit and have not reached the service retirement age for the respective tier.

Basis of Presentation

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

Contributions

The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2022, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2022, the Authority's contractually required contribution to PERS plan was \$76,807.

Components of Net Pension Liability

At December 31, 2022, the Authority's proportionate share of the PERS net pension liability was \$919,175. The net pension liability was measured as of June 30, 2022. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2021. The Authority's proportion measured as of June 30, 2022, was 0.00609% which was an increase of 0.00076% from its proportion measured as of June 30, 2021.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 7: PENSION OBLIGATIONS (continued)

Components of Net Pension Liability (continued)

Balances at December 31, 2022 and December 31, 2021

	<u>12/31/2022</u>	<u>12/30/2021</u>
Actuarial valuation date (including roll forward)	June 30, 2022	June 30, 2021
Deferred Outflows of Resources	\$ 178,815	\$ 44,311
Deferred Inflows of Resources	234,637	516,233
Net Pension Liability	919,175	631,929
Authority's portion of the Plan's total Net Pension Liability	0.00609%	0.00533%

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

At December 31, 2022, the Authority's proportionate share of the PERS (credit) expense, calculated by the plan as of the June 30, 2022 measurement date is \$(52,046). At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 6,634	\$ 5,850
Changes of Assumptions	2,848	137,637
Net Difference between Projected and Actual Earnings on Pension Plan Investments	38,044	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	131,289	91,150
	<u>\$ 178,815</u>	<u>\$ 234,637</u>

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 7: PENSION OBLIGATIONS (continued)

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

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to PERS that will be recognized in future periods:

<u>Year Ending</u> <u>December 31,</u>	<u>Amount</u>
2023	\$ (70,818)
2024	(32,141)
2025	(11,562)
2026	50,766
2027	<u>7,933</u>
	<u>\$ (55,822)</u>

Special Funding Situation

Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State, are Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001.

The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability to report in the financial statements of the local participating employers related to this legislation.

Additionally, the State has no proportionate share of the PERS net pension liability attributable to the Authority as of December 31, 2022. At December 31, 2022, the State's proportionate share of the PERS expense, associated with the Authority, calculated by the plan as of the June 30, 2022 measurement date was \$1,934.

Actuarial Assumptions

The total pension asset/(liability) as of the measurement date was determined by using an actuarial valuation as noted in the table below, with update procedures used to roll forward the total pension liability to the measurement date. The actuarial valuations used the following actuarial assumptions:

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 7: PENSION OBLIGATIONS (continued)

Actuarial Assumptions (continued)

Inflation:

Price	2.75%
Wage	3.25%

Salary Increases:

2.75 - 6.55%
Based on Years of Service

Investment Rate of Return	7.00%
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Mortality Rate Table

PERS	Pub-2010 General Below-Median Income Employee mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021
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Period of Actuarial Experience

Study upon which Actuarial Assumptions were Based	July 1, 2018 - June 30, 2021
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Pre-retirement mortality rates were based on the Pub-2010 General Below-Median Income Employee Mortality Table with an 82.2% adjustment for males and 101.4% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Post-retirement mortality rates were based on the Pub-2010 General Below-Median Income Healthy Retiree mortality table with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2021. The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021.

Long-Term Expected Rate of Return

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

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 7: PENSION OBLIGATIONS (continued)

Long-Term Expected Rate of Return (continued)

each major asset class included in PERS's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%
	<u>100.00%</u>	

Discount Rate

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

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

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

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 7: PENSION OBLIGATIONS (continued)

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

	1% Decrease <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Authority's Proportionate Share of the Net Pension Liability	\$ 1,190,871	\$ 919,175	\$ 702,360

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS

General Information about the OPEB Plan

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

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

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

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

General Information about the OPEB Plan (continued)

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

Basis of Presentation

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

Allocation Methodology

GASB Statement No. 75 requires participating employers in the Plan to recognize their proportionate share of the collective net OPEB liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective OPEB expense (benefit). The special funding situation's and nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are based on separately calculated total OPEB liabilities. For the special funding situation and the nonspecial funding situation, the total OPEB liabilities for the year ended June 30, 2022 were \$3,361,552,823 and \$12,729,372,321, respectively.

The nonspecial funding situation's net OPEB liability, deferred outflows of resources, deferred inflows of resources, and OPEB (benefit) expense are further allocated to employers based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2021 through June 30, 2022. Employer and nonemployer allocation percentages have been rounded for presentation purposes; therefore, amounts presented in the schedule of OPEB amounts by employer and nonemployer may result in immaterial differences.

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

Net OPEB Liability

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

Total OPEB Liability	\$ 16,090,925,144
Plan fiduciary net position	<u>(58,670,334)</u>
 Net OPEB liability	 <u><u>\$ 16,149,595,478</u></u>

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

Salary Increases*:

Public Employees' Retirement System (PERS)	
Rate for all future years	2.75% to 6.55%
Police and Firemen's Retirement System (PFRS)	
Rate for all future periods	3.25% to 16.25%

Mortality Rate Table:

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

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

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

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

OPEB Obligation and OPEB (Benefit) Expense

The Authority's proportionate share of the total Other Post-Employment Benefits Obligations was \$1,215,903. The OPEB Obligation was measured as of June 30, 2022, and the total OPEB Obligation used to calculate the OPEB Obligation was determined by an actuarial valuation as of July 1, 2021, which was rolled forward to June 30, 2022. The State's proportionate share of the OPEB Obligation associated with the Authority was based on projection of the State's long-term contributions to the

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Obligation and OPEB (Benefit) Expense (continued)

OPEB plan associated with the Authority relative to the projected contributions by the State associated with all participating entities, actuarially determined. At June 30, 2022, the State proportionate share of the OPEB Obligation attributable to the Authority was 0.00753%, which was a decrease of 0.00005% from its proportion measured as of June 30, 2022.

For the fiscal year ended June 30, 2022, the State of New Jersey recognized an OPEB (benefit) expense in the amount of \$(42,753) for the State's proportionate share of the OPEB (benefit) expense attributable to the Authority. This OPEB (benefit) expense was based on the OPEB plans June 30, 2022 measurement date.

Health Care Trend Assumptions

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

Discount Rate

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

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

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

	1% Decrease	Healthcare Cost Trend Rate	1% increase
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with the Authority	\$ 1,031,487	\$ 1,215,903	\$ 1,452,088
State of New Jersey's Total Nonemployer OPEB Liability	\$ 13,700,188,049	\$ 16,149,595,478	\$ 19,286,596,671

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

Sensitivity of Net OPEB Liability to Changes in the Discount Rate

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

	<u>At 1% Decrease</u> <u>(2.54%)</u>	<u>At Discount Rate</u> <u>(3.54%)</u>	<u>At Discount Rate</u> <u>(4.54%)</u>
State of New Jersey's Proportionate Share of Total OPEB Obligation Associated with the Authority	\$ 1,409,476	\$ 1,215,903	\$ 1,060,155
State of New Jersey's Total Nonemployer OPEB Liability	\$ 18,720,632,230	\$ 16,149,595,478	\$ 14,080,955,857

Additional Information

The following is a summary of the deferred outflows of resources, deferred inflows of resources, and net OPEB liability balances as of June 30, 2022:

Balances at December 31, 2022 and December 31, 2021

	<u>12/31/2022</u>	<u>12/31/2021</u>
Actuarial valuation date (including roll forward)	June 30, 2022	June 30, 2021
Deferred Outflows of Resources	\$ 235,175	\$ 240,426
Deferred Inflows of Resources	841,795	773,121
Net OPEB Liability	1,215,903	1,364,203
Authority's portion of the Plan's total net OPEB Liability	0.00753%	0.00758%

OPEB Deferred Outflows/Inflows of Resources

At December 31, 2022, the Authority's proportionate share of the OPEB outflows and inflows, calculated by the plan as of the June 30, 2022 measurement date is \$235,175 and \$841,795, respectively. At December 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

OPEB Deferred Outflows/Inflows of Resources

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 62,791	\$ 225,377
Changes of Assumptions	162,267	414,964
Net Difference between Projected and Actual Earnings on Pension	320	-
Changes in Proportion	9,797	201,454
	\$ 235,175	\$ 841,795

The following is a summary of the deferred outflows of resources and deferred inflows of resources related to OPEB that will be recognized in future periods:

Year Ending <u>Dec 31,</u>	
2023	\$ (137,558)
2024	(137,655)
2025	(114,463)
2026	(66,272)
2027	(36,099)
2028 - 2029	(114,573)
	\$ (606,620)

Changes in Proportion

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

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to Financial Statements (continued)
For the years ended December 31, 2022 and 2021

NOTE 8: OTHER POSTEMPLOYMENT BENEFITS (continued)

Plan Membership

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

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

Changes in the Total OPEB Liability

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

Service Cost	\$ 796,654,029
Interest on the Total OPEB Liability	401,372,615
Changes of Benefit Terms	402,474,416
Differences Between Expected and Actual Experience	572,046,963
Changes of Assumptions	(3,599,550,175)
Contributions from the Employer	(389,490,003)
Contributions from Non-Employer Contributing Entities	(45,792,081)
Net Investment Income	(235,962)
Administrative Expenses	<u>12,334,441</u>
 Net Change in Total OPEB Liability	 (1,850,185,757)
 Total OPEB Liability (Beginning)	 <u>17,999,781,235</u>
 Total OPEB Liability (Ending)	 <u>\$ 16,149,595,478</u>

NOTE 9: DEFINED CONTRIBUTION RETIREMENT PROGRAM

The Defined Contribution Retirement Plan (“DCRP”) was established on July 1, 2007 for certain public employees under the provisions of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007. The program provides eligible members with a tax-sheltered defined contribution retirement benefit, in addition to life insurance and disability coverage. The DCRP is jointly administered by the Division of Pensions and Benefits and Prudential Financial.

Schedule I

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
 Schedule of the Authority's Proportionate Share of Net Pension Liability
 Public Employees' Retirement System
 Last Ten Fiscal Years

	Measurement Date Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.00609%	0.00533%	0.00602%	0.00596%	0.00581%	0.00572%	0.00560%	0.00542%	0.00536%	0.00538%
Authority's proportionate share of the net pension liability	\$ 919,175	\$ 631,929	\$ 981,589	\$ 1,073,286	\$ 1,143,372	\$ 1,331,658	\$ 1,657,139	\$ 1,216,800	\$ 1,003,128	\$ 1,027,383
Authority's covered-employee payroll	\$ 459,976	\$ 448,880	\$ 436,413	\$ 423,292	\$ 415,546	\$ 402,062	\$ 390,616	\$ 379,410	\$ 368,622	\$ 368,622
Authority's proportionate share of the net pension liability as a percentage of its covered-employee payroll	199.83%	140.78%	224.92%	253.56%	275.15%	331.21%	424.24%	320.71%	272.13%	278.71%
Plan fiduciary net position as a percentage of the total pension liability	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%	48.72%

Schedule II

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
 Schedule of Authority Contributions
 Public Employees' Retirement System
 Last Ten Fiscal Years

	For the Year Ended, December 31,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Authority's contractually required contribution	\$ 76,807	\$ 62,471	\$ 65,848	\$ 57,940	\$ 57,761	\$ 52,995	\$ 49,707	\$ 46,602	\$ 44,169	\$ 40,504
Contributions in relation to the contractually required contribution	(76,807)	(62,471)	(65,848)	(57,940)	(57,761)	(52,995)	(49,707)	(46,602)	(44,169)	(40,504)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 459,976	\$ 448,880	\$ 408,277	\$ 436,413	\$ 423,292	\$ 415,546	\$ 402,062	\$ 390,616	\$ 379,410	\$ 368,622
Contributions as a percentage of covered payroll	16.70%	13.92%	16.13%	13.28%	13.65%	12.75%	12.36%	11.93%	11.64%	10.99%

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Schedule of the Authority's Proportionate Share of Net Other Postemployment Benefit Liability
Local Government Retired Employees Plan
Last Seven Fiscal Years **

	Measurement Date Ended June 30,						
	2022	2021	2020	2019	2018	2017	2016
Authority's proportion of the other postemployment benefit liability (asset)	0.00753%	0.00758%	0.00768%	0.00805%	0.00869%	0.00858%	0.00948%
Authority's proportionate share of the net other postemployment benefit liability (asset)	\$ 1,215,903	\$ 1,364,203	\$ 1,377,941	\$ 1,090,188	\$ 1,361,429	\$ 1,751,266	\$ 2,058,816
Authority's covered-employee payroll	\$ 459,976	\$ 448,880	\$ 436,413	\$ 423,292	\$ 415,546	\$ 402,062	\$ 390,616
Authority's proportionate share of the net other postemployment benefit liability (asset) as a percentage of its covered-employee payroll	264.34%	303.91%	315.74%	257.55%	327.62%	435.57%	527.07%
Plan fiduciary net position as a percentage of the total other postemployment benefit liability	-0.36%	0.28%	0.91%	1.98%	1.97%	1.03%	0.69%

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

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Notes to the Required Supplementary Information

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

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

Changes of Assumptions

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

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2022	7.00%	2019	6.28%	2016	3.98%
2021	7.00%	2018	5.66%	2015	4.90%
2020	7.00%	2017	5.00%	2014	5.39%

The long-term expected rate of return used as of June 30, measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2022	7.00%	2019	7.00%	2016	7.65%
2021	7.00%	2018	7.00%	2015	7.90%
2020	7.00%	2017	7.00%	2014	7.90%

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

Other Post-Employment Benefits (OPEB)

Changes in Benefits

The increase in benefit terms from June 30, 2021, to June 30, 2022 was a result of employers adopting and or changing Chapter 48 provisions which provide different levels of subsidy than in the prior year.

Differences Between Expected and Actual Experiences

The increase in differences between expected and actual experiences from June 30, 2021 to June 30, 2022 was a result of an updated to census information, and premiums and claims experience.

Changes of Assumptions

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

Changes of Assumptions (continued)

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

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

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Schedule of Revenues and Expenses - Budget to Actual
For the year ended December 31, 2022

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Annual Service Charges	\$ 1,915,572	\$ 1,915,572	\$ 1,915,572	\$ -
Sale of Solar Renewable Energy Certificates (SRECs)	115,000	115,000	161,177	46,177
Interest Income	4,000	4,000	59,835	55,835
Shared service agreement	1,200	1,200	1,200	-
TOTAL REVENUES	2,035,772	2,035,772	2,137,784	102,012
EXPENSES:				
Operating Appropriations:				
Cost of Providing Services:				
Operating Labor	455,009	455,009	443,051	11,958
Employee Benefits	260,669	260,669	201,128	59,541
Insurance	51,000	51,000	54,916	(3,916)
Repairs and Maintenance	222,408	222,408	96,114	126,294
Laboratory Supplies	3,000	3,000	3,185	(185)
Outside Laboratory Services and Technician	70,000	70,000	56,279	13,721
Utilities	178,500	178,500	134,632	43,868
Telephone	8,500	8,500	7,955	545
Truck Maintenance and Gasoline	8,000	8,000	9,931	(1,931)
Permit Fees	117,000	117,000	87,030	29,970
Total Cost of Providing Services	1,374,086	1,374,086	1,094,221	279,865
Administrative Expenses:				
Salaries	120,904	120,904	116,498	4,406
Employee Benefits	44,207	44,207	63,405	(19,198)
Office Supplies and Expenses	10,000	10,000	7,497	2,503
Professional Fees	70,000	70,000	94,958	(24,958)
Trustee Fees	12,000	12,000	17,116	(5,116)
Miscellaneous	9,750	9,750	7,776	1,974
Total Administrative Expenses	266,861	266,861	307,250	(40,389)
TOTAL OPERATING APPROPRIATIONS	1,640,947	1,640,947	1,401,471	239,476
INTEREST EXPENSE	40,451	40,451	49,807	(9,356)
OTHER COSTS FUNDED BY REVENUES:				
Principal Maturity	244,374	244,374	244,374	-
Capital Outlay	100,000	100,000	-	100,000
Renewal and Replacement Reserve	10,000	10,000	-	10,000
TOTAL COSTS FUNDED BY REVENUES	354,374	354,374	244,374	110,000
TOTAL EXPENSES	2,035,772	2,035,772	1,695,652	340,120
BUDGETARY REVENUES OVER EXPENSES	\$ -	\$ -	\$ 442,132	\$ 442,132
Reconciliation of Budgetary Basis to Net Income:				
Budgetary Revenues Over Expenses			\$ 442,132	
Adjustments to Budgetary Basis:				
Depreciation Expense			(303,301)	
Pension Liability Benefit/(Expense) - GASB 68			128,854	
OPEB Liability Benefit/(Expense) - GASB 75			74,375	
Principal Maturity			244,374	
Amortization of Bond Premium			9,829	
Total Adjustments			154,131	
Net Income			\$ 596,263	

MONMOUTH COUNTY BAYSHORE OUTFALL AUTHORITY
Schedule of Revenues and Expenses - Budget to Actual
For the year ended December 31, 2021

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES:				
Annual Service Charges	\$ 1,902,056	\$ 1,902,056	\$ 1,902,056	\$ -
Sale of Solar Renewable Energy Certificates (SRECs)	100,000	100,000	158,615	58,615
Interest Income	11,000	11,000	3,456	(7,544)
Shared service agreement	1,200	1,200	1,200	-
TOTAL REVENUES	2,014,256	2,014,256	2,065,327	51,071
EXPENSES:				
Operating Appropriations:				
Cost of Providing Services:				
Operating Labor	444,692	444,692	435,342	9,350
Employee Benefits	256,250	256,250	188,064	68,186
Insurance	48,000	48,000	51,417	(3,417)
Repairs and Maintenance	215,408	215,408	135,790	79,618
Laboratory Supplies	3,000	3,000	3,257	(257)
Outside Laboratory Services and Technician	70,000	70,000	53,104	16,896
Utilities	178,500	178,500	141,130	37,370
Telephone	8,500	8,500	7,409	1,091
Truck Maintenance and Gasoline	8,000	8,000	5,993	2,007
Permit Fees	117,000	117,000	83,077	33,923
Total Cost of Providing Services	1,349,350	1,349,350	1,104,583	244,767
Administrative Expenses:				
Salaries	119,433	119,433	115,347	4,086
Employee Benefits	42,549	42,549	57,831	(15,282)
Office Supplies and Expenses	10,000	10,000	8,465	1,535
Professional Fees	69,000	69,000	51,085	17,915
Trustee Fees	12,000	12,000	5,684	6,316
Miscellaneous	9,750	9,750	5,037	4,713
Total Administrative Expenses	262,732	262,732	243,449	19,283
TOTAL OPERATING APPROPRIATIONS	1,612,082	1,612,082	1,348,032	264,050
INTEREST EXPENSE	50,150	50,150	42,310	7,840
OTHER COSTS FUNDED BY REVENUES:				
Principal Maturity	242,024	242,024	242,024	-
Capital Outlay	100,000	100,000	-	100,000
Renewal and Replacement Reserve	10,000	10,000	-	10,000
TOTAL COSTS FUNDED BY REVENUES	352,024	352,024	242,024	110,000
TOTAL EXPENSES	2,014,256	2,014,256	1,632,366	381,890
BUDGETARY REVENUES OVER EXPENSES	\$ -	\$ -	\$ 432,961	\$ 432,961
Reconciliation of Budgetary Basis to Net Income:				
Budgetary Revenues Over Expenses			\$ 432,961	
Adjustments to Budgetary Basis:				
Depreciation Expense			(317,030)	
Pension Liability Expense - GASB 68			156,649	
OPEB Liability Benefit/(Expense) - GASB 75			65,290	
Principal Maturity			242,024	
Amortization of Bond Premium			9,829	
Insurance Reimbursements			1,000	
Total Adjustments			157,762	
Net Income			<u>\$ 590,723</u>	

Contracts and Agreements Required to be advertised by (N.J.S.A.40A:11-4)(continued)

The examination of expenditures did not reveal any contracts or agreements in excess of \$2,625 "for the performance of any work or the furnishing or hiring of any materials or supplies", other than those where bids had been previously sought by public advertisement or where a resolution had been previously adopted under the provision of (N.J.S.A.40A:11-6.1).

The supporting documentation indicated that quotes were requested for all items that required them.

Examination of Bills

A test check of paid bills was made and each bill, upon proper approval, was considered as a separate and individual contract unless the records disclosed it to be a part payment or estimate. The results of the examination did not disclose any discrepancies with respect to signatures, certification or supporting documentation.

Examination of Payroll

The examination of the payroll account included the detailed computation of various deductions or other credits from the payroll of the Authority employees and ascertained that the accumulated withholdings were disbursed to the proper agencies.

Property, Plant & Equipment

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

Budget Adoption

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. The Authority approved its operating budget on October 18, 2021 and adopted its operating budget on December 13, 2021.

Current Year Findings

There were no current year findings.

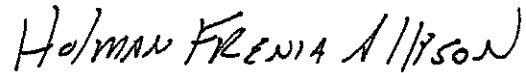
Follow-Up of Prior Years' Findings

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

Acknowledgment

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

Should you have any questions concerning our comments or recommendations, or should you desire any assistance in implementing our recommendations, please call us.



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

November 16, 2023
Lakewood, New Jersey