Annual
Financial Report

of the

Rahway Valley
Sewerage Authority

For the Years Ended December 31, 2022 and 2021

Prepared By

Rahway Valley Sewerage Authority

Finance Department

RAHWAY VALLEY SEWERAGE AUTHORITY

INDEX

FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

The Board of Commissioners
Rahway Valley Sewerage Authority
Rahway, New Jersey 07065

Report on the Financial Statements

We have audited the accompanying financial statements of the Rahway Valley Sewerage Authority, which comprises the statements of net position as of December 31, 2022 and 2021 and the related statements of revenue, expenses and changes in net position, and cash flows for the years then ended, and the related notes to the financial statements.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the Rahway Valley Sewerage Authority, for the years ended December 31, 2022 and 2021, and the results of its operations and its cash flows 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 , the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. 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 Rahway Valley Sewerage Authority and to meet our other ethical responsibilities in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Rahway Valley Sewerage Authority's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and, therefore, is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, *Government Auditing Standards* and Uniform Guidance will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards *Government Auditing Standards and Uniform Guidance*, 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 Rahway Valley Sewerage 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 Rahway Valley Sewerage 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.

Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The accompanying supplementary information schedules such as the Schedules of Expenditures of Federal Awards, as listed in the table of contents, as required by OMB Uniform Guidance, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements.

The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the financial statements as a whole.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion analysis and the schedules related to accounting, reporting for pensions in Schedule R-1 through R-3, and the schedule related to accounting and reporting for postretirement benefits other than pensions (OPEB) in Schedule S-1 through S-3 are presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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.

SUPLEE, CLOONEY & COMPANY

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 18, 2023 on our consideration of the Rahway Valley Sewerage Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Rahway Valley Sewerage Authority's internal control over financial reporting and compliance.

October 18, 2023

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MANAGEMENT DISCUSSION AND ANALYSIS

MANAGEMENT DISCUSSION AND ANALYSIS
FOR THE YEAR ENDED DECEMBER 31, 2022 UNAUDITED

Management's Discussion and Analysis (MD&A) serves as an introduction to, and should be read in conjunction with, the basic audited financial statements and supplementary information.

OVERVIEW OF ANNUAL FINANCIAL REPORT

The MD&A represents management's examination and analysis of the Authority's financial condition and performance. Summary financial statement data, key financial and operational indicators used in the Authority's budget, bond resolutions and other management tools were used for this analysis.

The Authority's audited financial statements are presented in conformity with generally accepted accounting principles as applied to governmental units. The basic financial statements include: Statements of Net Position; Statements of Revenues, Expenses and Changes in Net Position; Statements of Cash Flows; and Notes to Financial Statements.

The Statements of Net Position present the Assets, Liabilities, Deferred Inflows and Outflows of Resources and Total Net Position of the Authority on a historical cost basis. Over time, increases and decreases in the components of the Authority's Total Net Position are indicators of whether the financial position of the Authority is improving or deteriorating.

While the Statements of Net Position provide information about the nature and amount of resources and obligations at year-end, the Statements of Revenues, Expenses and Changes in Net Position present the results of the business activities over the course of the Fiscal Year and information as to how the net position changed during the year.

The Statements of Cash Flows present changes in cash and cash equivalents, resulting from operating, financing, and investing activities. These statements present cash receipts and cash disbursement information, without consideration of the earnings event, when an obligation arises, or depreciation of capital assets.

The Notes to Financial Statements (Notes) provide required disclosures and other information that are essential to an understanding of material data provided in the basic financial statements. The Notes present information that include accounting policies, significant account balances and activities, material risks, obligations, commitments, contingencies and subsequent events, if any.

AUTHORITY'S FINANCIAL REPORT

Condensed Statements of Net Position

Unrestricted assets of $8.4 million at December 31, 2022, consists principally of cash and cash equivalents of $4.4 million and receivables of $3.6 million. The $3.6 million in receivables largely includes a litigation settlement. Total current liabilities payable from unrestricted assets at December 31, 2022 of $2.2 million consisting of accounts payable and accrued expenses.

Restricted assets of $6.3 million at December 31, 2022 consists of cash and cash equivalents.

	December 31		
Assets	2022	2021	2020
Unrestricted assets	$ 8,429,444	$ 8,303,099	$ 7,984,976
Restricted assets	6,281,656	5,252,189	6,689,780
Capital assets, at cost	286,611,004	284,224,060	282,364,342
Accumulated depreciation	(129,365,029)	(119,710,057)	(110,143,381)
Deferred outflow of resources	5,880,671	5,683,992	6,484,849
Total assets	$ 177,837,746	$ 183,753,283	$ 193,380,566
Current liabilities:			
Payable from unrestricted assets	$ 2,159,763	$ 1,879,515	$ 1,535,735
Payable from restricted assets	12,862,252	13,053,009	13,436,773
Total current liabilities	$ 15,022,015	$ 14,932,524	$ 14,972,508
Long-term debt, net of current maturities	99,523,551	108,115,564	110,897,029
NJEIT Interim Financing	-	-	6,567,507
Net pension liability	9,264,137	7,238,585	9,314,465
Net OPEB liability	13,527,063	14,836,680	15,156,453
Total noncurrent liabilities	$ 122,314,751	$ 130,190,829	$ 141,935,454
Total liabilities	$ 137,336,766	$ 145,123,353	$ 156,907,962
Deferred inflows of resources:			
Credits on debt refundings	$ 544,053	$ 901,660	$ 1,259,267
Deferred bond premium	75,938	80,700	46,857
Pension related	1,731,700	4,963,719	4,503,632
OPEB related	8,279,986	7,260,976	7,582,411
Total Deferred inflows of resources	$ 10,631,677	$ 13,207,055	$ 13,392,167
Total net position	$ 29,869,303	$ 25,422,875	$ 23,080,437
Total liabilities, deferred inflows of resources, and total net position	$ 177,837,746	$ 183,753,283	$ 193,380,566

Condensed Statements of Net Position (Cont'd.)

The Authority's capital assets, at cost, at December 31, 2022 and 2021 amounted to $286.6 million and $284.2 million, respectively. Reference is made to the Authority's Year 2002 Capital Improvement Program (CIP). Net property, plant and equipment at December 31, 2022 and 2021 amounted to $157.2 million and $164.5 million, respectively.

Total liabilities of the Authority at December 31, 2022 and 2021 amounted to $137.3 million and $145.1 million, respectively, of which $111.8 million and $120.6 million, respectively, relate to debt obligations principally attributable to the funding of capital asset additions under the Authority's Year 2002 CIP. Additional temporary/interim financing was secured from NJIB totaling $6.6 million to provide financing for additional projects related to the Authority's Digester Covers and Gas Flares and the construction of a Food Waste Station. This temporary financing was finalized in the 2021 year. The Authority's debt obligations outstanding at December 31, 2022 relate to financing under the New Jersey Infrastructure Bank (NJIB) Loan Program ($32.5 million) and the accreted value of Capital Appreciation Bonds ($79.3 million). In addition, Total Liabilities include a Net Pension Liability of $9.3 million and $7.2 million, and a net OPEB liability of $13.5 million and $14.8 million at December 31, 2022 and 2021, respectively.

Deferred inflows of resources at December 31, 2022 and 2021 of $10.6 million and $13.2 million, respectively, relate principally to credits on debt refundings as well as Pension and OPEB obligations.

Total Net Position of the Authority at December 31, 2022 and 2021 amounted to $29 million and $25 million, respectively. Net Position includes:

	2022	2021
	Thousands	
Net Investment in Capital Assets	$45,448	$42,774
Restricted	9,728	8,681
Unrestricted, Appropriated	500	750
Unrestricted, Unappropriated	765	1,484
Unrestricted, Rate Stabilization Fund	350	350
Unrestricted, Net Pension Related	(9,870)	(11,108)
Unrestricted, Net OPEB Related	(17,052)	(17,508)
	$29,869	$25,423

An appropriation of $500 thousand and $750 thousand of the Unrestricted Net Position in each of the years ended December 31, 2022 and 2021 has been made to fund a portion of the Years 2023 and 2022 Operating Budgets, respectively.

Condensed Statements of Revenues, Expenses and Changes in Net Position

	Years Ended December 31 2022	2021	2020
Operating revenues	$ 30,444,804	$ 29,045,023	$ 28,606,580
Operating expenses:			
Costs of providing services	$ 11,580,902	$ 10,872,569	$ 10,990,893
General and administrative	3,737,905	3,766,189	3,404,733
Pension expense charge	(1,237,976)	(1,416,707)	26,566
OPEB expense adjustment	(455,777)	(39,437)	(2,035)
Total operating expenses, before depreciation	$ 13,625,054	$ 13,182,614	$ 14,420,157
Depreciation	9,654,972	9,566,677	9,243,843
Total operating expenses	$ 23,280,026	$ 22,749,291	$ 23,664,000
Operating income	$ 7,164,778	$ 6,295,732	$ 4,942,580
Nonoperating income/(expense), net:			
Interest expense, net	$ (4,009,622)	$ (4,127,531)	$ (4,168,697)
Other income, net	1,291,272	174,237	845,862
Net income (loss)	$ 4,446,428	$ 2,342,438	$ 1,619,745
Net Postion:			
Beginning of year	$ 25,422,875	$ 23,080,437	$ 21,460,692
Net Position end of year	$ 29,869,303	$ 25,422,875	$ 23,080,437

Budgeted and realized member annual assessments included in operating revenues for the years ended December 31, 2022 and 2021, amounted to $29.0 million and $27.4 million, respectively. Member annual assessments represent approximately 95% of total operating revenues realized in each of the years ended December 31, 2022 and 2021.

Total operating expenses for the years ended December 31, 2022 and 2021 were $23.7 million and $22.7 million, respectively. Operating expenses consist principally of personnel related costs, utilities, residual disposal, maintenance, compliance monitoring and professional services.

Operating income, net of depreciation expense of $9.6 million in both Year 2022 and 2021, amounted to $6.7 million compared to $6.3 million in the Year 2021.

Condensed Statements of Revenues, Expenses and Changes in Net Position (Cont'd.)

Interest expense in 2022 amounted to $4.0 million as compared to $4.1 million in 2021.

Net income in the Year 2022 was $2.8 million as compared to $2.3 million in the Year 2021.

Condensed Statements of Cash Flows

	Years Ended December 31		
	2022	2021	2020
Net cash provided by operating activities	$ 16,654,908	$ 14,564,121	$ 15,160,107
Net cash used in capital and financing activities	(15,307,705)	(14,894,048)	(15,212,120)
Net cash provided by investing activities	50,686	27,453	43,985
Net increase(decrease) in cash and cash equivalents	$ 1,397,889	$ (302,474)	$ (8,028)
Cash and cash equivalents:			
Beginning of year	9,296,367	9,598,841	9,606,869
End of year	$ 10,694,256	$ 9,296,367	$ 9,598,841

Net cash provided by operating activities amounted to $16.6 million and $14.5 million in the years ended December 31, 2022 and 2021, respectively.

Net cash used in capital/financing activities in the Years 2022 and 2021 relate principally to the funding of construction projects, and debt service payments. Payments for net capital asset additions in the Year 2022 were $2.3 million as compared to $2.6 million in 2021. Debt service payments amounted to $13.3 million and $19.7 million in the years ended December 31, 2022 and 2021, respectively. The debt service payments for 2021 include the repayment of the interim financing of $6.6 million with the final closing of the 2021 bonds.

Net cash provided by investing activities amounted $51 thousand and $27 thousand in the Years 2022 and 2021, respectively, and relates to interest income.

AUTHORITY OVERVIEW

General

The Rahway Valley Sewerage Authority and its predecessor, known as the Rahway Valley Joint Meeting, has provided for the disposal of sewage wastes collected in the Rahway Valley region since 1937. On October 20, 1928, a contract was entered into by the nine municipalities, that is, the Boroughs of Garwood, Kenilworth and Roselle Park, the City of Rahway, the Town of Westfield and the Townships of Clark, Cranford and Springfield all in Union County and the Township of Woodbridge in Middlesex County. The purpose of such contract, as amended on March 3, 1932 and August 31, 1936, was jointly to construct, maintain, rebuild, repair and operate trunk sewers and a sewage treatment plant within the Rahway Valley, such municipalities being united in a Joint Meeting pursuant to statute. The Rahway Valley Sewerage Authority was created by virtue of parallel ordinances adopted in 1951 by the governing bodies of the Member Municipalities. Scotch Plains and Mountainside became members in 1995 and 1999, respectively. The Authority has perpetual existence as a public body politic and corporate constituting a political subdivision of the State of New Jersey.

The Authority had 61 employees as of December 31, 2022, including its Executive Director and Secretary/Treasurer, of which 29 employees are represented by the United Steel Workers Union.

Service Agreement

The present Service Agreement includes the Boroughs of Garwood, Kenilworth, Mountainside and Roselle Park, the City of Rahway, the Town of Westfield, and the Townships of Clark, Cranford, Scotch Plains, Springfield and Woodbridge, Municipal Corporations of the State of New Jersey. Pursuant to the Service Agreement, the Authority prepares a statement of its Municipality Service Charges each Fiscal Year which includes all amounts required for payment during such Fiscal Year of Operating Expenses, Debt Service, Reserves and other requirements. The Authority then allocates the various amounts set forth in its statement of charges amongst the individual Municipalities principally on the basis of their proportional average daily share of the use of the System (flow, biochemical oxygen demand and total suspended solids). Each Municipality's share of the annual service charge is due and payable in two equal installments on April 1 and July 1 of each Fiscal Year. The obligations of each Municipality under the Service Agreement are not joint and several. A Municipality may sell or assign its unused authorized flow rights as may be determined by the Authority, in whole or in part, to a member Municipality or to a nonmember municipality subject, however, to a right of first refusal reserved to the member Municipalities.

The System

The Rahway Valley Sewerage Authority Service Area is located in Union and Middlesex Counties. The estimated population served is 250,000 with an additional 3,500 commercial and industrial facilities. The Authority owns and operates Trunk Sewer Lines varying in size from 36" to 72" diameter and four major Spur Lines varying in size from 15" to 36" in diameter. The construction of the 17.5-mile collection system was completed in 1930. The collection system flows by gravity to the Authority's treatment plant.

The treatment plant is located on the borders of Rahway and Woodbridge and was placed into operation in 1937. Upgrades and expansion over the past few years have resulted in a facility that now accommodates wet weather flows of up to 105 MGD. Gravity Relief Sewers were constructed to covey peak wet weather flows to the facility. One Combined Sewer Overflow was closed and another Combined Sewer Overflow was reconfigured as an emergency plant protection system. Tertiary treatment utilizing sand filters, an ultraviolet disinfection system and other treatment facility enhancements were added to improve the quality of the effluent discharged into the Arthur Kill in Carteret. The Authority disposes its anaerobic digested, dewatered, and dried sludge to third parties who use the material for beneficial use.

The Authority's Year 2002 Capital Improvement Program (CIP) included the following segments: (i) improvements to the wastewater treatment plant (WWTP), consisting of new influent pumping, grit and screenings removal, additional primary and secondary settling tanks, upgraded aeration system, filtration, UV disinfection, cascade aeration, effluent pumping, improved sludge thickening facilities and related appurtenances; (ii) a Gravity Relief Sewer (GRS); and (iii) a power generating sludge drying facility (Cogeneration Facility). The cost of the CIP was approximately $225 million of which 95% related to projects required under a Judicial Consent Order (JCO) that is discussed in the caption (Litigation Settlement related to the Capital Improvement Program). Reference is also made to the captions (Litigation and Related Matters) and (Commitments and Contingencies) concerning additional comments related to the Authority's Year 2002 CIP.

Municipality Service Charges

Budgeted and realized member municipality annual assessments for the years ended December 31, 2022, 2021 and 2020 (representing a substantial portion of operating income in each year) follow:

Municipality	2022	2021	2020
Woodbridge	$ 6,923,401	$ 6,590,034	$ 6,875,030
Rahway	5,212,681	4,783,639	4,281,575
Westfield	4,376,815	4,384,897	4,279,550
Cranford	2,724,779	2,251,522	2,107,454
Springfield	2,683,000	2,570,686	2,637,999
Clark	2,410,335	2,196,136	2,118,441
Scotch Plains	1,375,796	1,333,344	1,488,793
Kenilworth	1,287,149	1,316,375	1,243,355
Mountainside	883,670	919,136	959,089
Garwood	747,084	684,025	709,831
Roselle Park	424,265	396,706	351,383
	$29,048,975	$27,426,500	$27,052,500

Reference is made to the caption "Commitments and Contingencies" concerning comments related to the Authority's Year 2002 Capital Improvement Program.

Litigation Settlement Related to the Capital Improvement Program

The Authority was a party defendant in an action initiated in the New Jersey Superior Court, Chancery Division, Union County, by the New Jersey Department of Environmental Protection. A public interest environmental group was granted permission by the Court to intervene in the action of the plaintiff. The plaintiffs alleged that the Authority violated several provisions of its New Jersey Pollutant Discharge Elimination System (NJPDES) Permit over a period of time. The Authority denied the allegations and asserted defenses to the plaintiffs' claims. While in trial, the parties agreed on a settlement of all claims among the parties. A $965,000 provision for the litigation settlement was included as a charge to operations in the year ended December 31, 2000. Pursuant to the terms of the settlement agreement, the Authority paid $365,000 in the Year 2001 and the remainder of $600,000, with interest, was paid in the Year 2002. The basic terms of the settlement included in a Judicial Consent Order (JCO) entered by the Court in October, 2001 requiring the Authority to significantly improve its treatment capabilities and the effluent quality. The requirements of the JCO were incorporated into the Authority's Year 2002 Capital Improvement Program (CIP). The CIP included the following segments: (i) Wastewater Treatment Plant (WWTP) improvements; (ii) a new Gravity Relief Sewer (GRS); and (iii) a Power Generating Sludge Drying Facility (Cogeneration Facility). The CIP established a short, intermediate and long-term schedule for achieving permit compliance and closing the Authority's combined sewer overflows. The requirements of the JCO have been satisfied.

Litigation and Related Matters

During the year 2009, litigation was commenced by the Authority in connection with the Authority's Cogeneration Facility (the "Facility"). The RVSA constructed the Facility on the basis that operating the Facility as the WWTP's primary power source would lower annual operating costs by over $1 million per year. It was determined that operating the Facility as designed actually imposed increases in operating costs to the Authority. On March 24, 2011 the RVSA filed a Demand for Arbitration asserting claims against various parties including the design engineer, the construction oversight manager, the general contractor, the supplier of the gas generators and other parties. A related action was commenced by the Authority on October 1, 2012 against parties with whom the Authority did not have an arbitration requirement. Settlements were realized in 2017 as to both arbitration and litigation.

The settlement aggregates approximately $7.1 million. In 2016, $850 thousand was received. The remaining $6.2 million is being paid under the terms of a Funding Agreement with remaining payments as of December 31, 2022 as follows:

Period	Annual Amount	Total Amount
2023 to 2031	$234,000	$2,106,000
2032	265,000	265,000
2033	300,000	300,000
2034	500,000	500,000
2035	750,000	750,000
2036	900,000	900,000
		$4,821,000

Interest income is being recorded on the funding agreement as payments are received.

Commitments and Contingencies

A. The Authority's Year 2002 Capital Improvement Program (CIP), with a cost of approximately $225 million is discussed in Note 16. A substantial portion (95%) of such costs is related to the Judicial Consent order (JCO).

   The major sources of financing for the CIP were borrowings under the NJIB loan program and the issuance of Capital Appreciation Bonds (CABS). Total borrowings outstanding under the NJIB Trust/Fund Loan Program related to the CIP at December 31, 2022 were $32.5 million. The NJIB borrowings outstanding at December 31, 2022 mature in the Year 2035. The CABS, with an issue value of $34.7 million and a maturity value of $112.9 million, will be paid over a twelve-year period beginning in the Year 2024 and ending in the Year 2035.

   Debt service payment requirements related to the year 2002 CIP will continue to be a significant component of assessments to member municipalities through the Year 2035. Annual debt service payment requirements will be in the $13 million range through the Year 2024, $12 million in the Year 2025 and in the $10 million range each year thereafter through the Year 2035. A significant portion of the Authority's operating revenues are generated by annual assessments to its member municipalities (95% for the year ended December 31, 2022).

B. In January 2017, the Authority signed an agreement for a Public Private Partnership (PPP) to accept specified feedstock (food waste) for co digestion with its bio solids and entered into a contract with an initial term of 10 years with an optional renewal for 3 to 10 years. The contract is a design/build construction contract which entailed the refurbishing of an existing sludge thickening tank that is now being utilized as a feedstock receiving station. The project is expected to generate energy savings, tip fees, and energy credits over the first 10 years of approximating $6 million which will be used to offset the cost of operating the Authority. The project is expected to take 3 to 4 years to ramp up to maximum operations. Live operations began in April 2018 with feedstock deliveries. The official contracted commercial operating date began August 1, 2018 after full acceptance of the construction project and the appurtenant equipment.

C. In conjunction with the aforementioned PPP project, in December 2017 the Authority issued a $2.0 million Note with the NJIB that became due June 30, 2021. The Note bore no interest. This interim financing was secured for the construction of the Food Waste Station. In April 2018 the Note was increased to approximately $2.4 million.

D. In December 2017 the Authority issued a $4.2 million Note with the NJEIT that was due June 30, 2021. The Note bears no interest. This interim financing was secured for improvements to the Authority's Digesters and Gas Flares.

   The Authority completed permanent financing of these two Notes through the NJIB financing program in June 2021. Permanent financing totaled $6.3 million. No interest is due on $4.7 million of this debt.

Contacting the Authority's Management

Questions concerning the Authority's annual financial report should be addressed to the Authority's Secretary/Treasurer at the Rahway Valley Sewerage Authority, 1050 East Hazelwood Avenue, Rahway, New Jersey 07065.

BASIC FINANCIAL STATEMENTS

EXHIBIT A
SHEET #1

RAHWAY VALLEY SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
ASSETS		
Unrestricted Assets - Current:		
Cash and Cash Equivalents	$ 4,412,600	$ 4,044,178
Trade Receivables	205,326	110,566
Prepaid Expenses	65,236	77,435
Other Receivables	154,117	353,165
Total Unrestricted Assets - Current	$ 4,837,279	$ 4,585,344
Restricted Assets:		
Cash and Cash Equivalents	$ 6,281,656	$ 5,252,189
Total Restricted Assets - Current	$ 6,281,656	$ 5,252,189
Unrestricted Assets - Long Term:		
Property, Plant and Equipment, at Cost	$ 286,611,004	$ 284,224,060
Less: Accumulated Depreciation	129,365,029	119,710,057
Net Property, Plant and Equipment	$ 157,245,975	$ 164,514,003
Other Receivable - Long Term	3,592,165	3,717,755
Total Unrestricted Assets - Long Term	$ 160,838,140	$ 168,231,758
TOTAL ASSETS	$ 171,957,075	$ 178,069,291
DEFERRED OUTFLOWS OF RESOURCES		
Pension Related	$ 1,126,072	$ 1,094,563
OPEB Related	4,754,599	4,589,429
Total Deferred Outflows of Resources	$ 5,880,671	$ 5,683,992
TOTAL ASSETS AND DEFERRED OUTFLOWS	$ 177,837,746	$ 183,753,283

The accompanying Notes to the Financial Statements are an integral part of this statement.

RAHWAY VALLEY SEWERAGE AUTHORITY

STATEMENTS OF NET POSITION
DECEMBER 31, 2022 AND 2021

	2022	2021
LIABILITIES		
Current Liabilities Payable From Unrestricted Assets:		
Accounts Payable and Accrued Expenses	$ 2,159,763	$ 1,879,515
Total Current Liabilities Payable From Unrestricted Assets	$ 2,159,763	$ 1,879,515
Current Liabilities Payable From Restricted Assets:		
Accounts Payable	$ 318,703	$ 211,202
Accrued Interest Payable	268,798	400,578
Current Portion of Long-term Debt	12,274,751	12,441,229
Total Current Liabilities Payable From Restricted Assets	$ 12,862,252	$ 13,053,009
Noncurrent Liabilities:		
Total Long-Term Debt, Net of Current Maturities	$ 99,523,551	$ 108,115,564
Net Pension Liability	9,264,137	7,238,585
OPEB Liability	13,527,063	14,836,680
Total Noncurrent Liabilities	$ 122,314,751	$ 130,190,829
TOTAL LIABILITIES	$ 137,336,766	$ 145,123,353
DEFERRED INFLOWS OF RESOURCES		
Credits on Debt Refundings	$ 544,053	$ 901,660
Pension Related	1,731,700	4,963,719
OPEB Related	8,279,986	7,260,976
Deferred Bond Premium	75,938	80,700
TOTAL DEFERRED INFLOWS OF RESOURCES	$ 10,631,677	$ 13,207,055
Net Position:		
Net Investment in Capital Assets	$ 45,447,673	$ 42,774,011
Restricted	9,728,955	8,681,035
Unrestricted	(25,307,325)	(26,032,171)
TOTAL NET POSITION	$ 29,869,303	$ 25,422,875
TOTAL LIABILITIES, DEFERRED INFLOWS AND NET POSITION	$ 177,837,746	$ 183,753,283

The accompanying Notes to the Financial Statements are an integral part of this statement.

EXHIBIT B

RAHWAY VALLEY SEWERAGE AUTHORITY

STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

		2022		2021
Operating Revenues:				
Member Annual Assessments	$	29,048,975	$	27,426,500
Discharge, Permit and Other Fees		1,214,479		1,270,788
Food Waste Fees		149,882		170,476
Other Income, Net		31,468		177,259
Total Operating Revenues	$	30,444,804	$	29,045,023
Operating Expenses:				
Costs of Providing Services	$	11,580,902	$	10,872,569
General and Administrative		3,737,905		3,766,189
Pension Expense Adjustment		(1,237,976)		(1,416,707)
OPEB Expense Adjustment		(455,777)		(39,437)
Depreciation		9,654,972		9,566,677
Total Operating Expenses	$	23,280,026	$	22,749,291
Operating Income	$	7,164,778	$	6,295,732
Nonoperating Revenues (Expenses):				
Interest Income - Unrestricted Funds	$	30,334	$	26,558
Interest Income - Restricted Funds		132,320		116,322
Grants		1,128,618		31,357
Interest Expense, Net		(4,009,622)		(4,127,531)
Net Income (Loss)	$	4,446,428	$	2,342,438
Net Position, Beginning of Year	$	25,422,875	$	23,080,437
Net Position, End of Year	$	29,869,303	$	25,422,875

The accompanying Notes to the Financial Statements are an integral part of this statement.

RAHWAY VALLEY SEWERAGE AUTHORITY

STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022	2021
Cash Flows from Operating Activities:		
Receipts from Member Annual Assessments	$ 29,048,975	$ 27,426,500
Receipts for Discharge, Permit and Other Fees	1,131,112	1,251,609
Receipts for Food Waste Fees	138,489	188,698
Other Receipts	262,601	177,259
Payments to Suppliers	(9,498,404)	(8,998,903)
Payments to Employees	(5,556,483)	(5,512,399)
Grants	1,128,618	31,357
Net Cash Provided by Operating Activities	$ 16,654,908	$ 14,564,121
Cash Flows from Capital and Related Financing Activities:		
Purchase of Capital Assets	$ (2,279,443)	$ (2,625,762)
Principal Payments on Long-Term Debt	(12,441,229)	(18,625,054)
Proceeds on new Bonds	-	6,529,449
Interest Paid on Bonds	(821,033)	(1,047,104)
Proceeds from the NJ Infrastructure Bank Loan Program	-	640,423
Capital Litigation Settlement (Principal and Interest)	234,000	234,000
Net Cash Used in Capital and Financing Activities	$ (15,307,705)	$ (14,894,048)
Cash Flows from Investing Activities:		
Interest Received	$ 50,686	$ 27,453
Net Cash Provided by Investing Activities	$ 50,686	$ 27,453
Net Increase (Decrease) in Cash and Cash Equivalents	$ 1,397,889	$ (302,474)
Cash and Cash Equivalents, Beginning of Year	9,296,367	9,598,841
Cash and Cash Equivalents, End of Year	$ 10,694,256	$ 9,296,367
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:		
Operating Income	$ 7,164,778	$ 6,295,732
Depreciation	9,654,972	9,566,677
Changes in Operating Assets and Liabilities:		
Accounts Receivable	(94,760)	(957)
Prepaid Expenses	12,199	14,809
Accounts Payable and Accrued Expenses	280,248	(529,715)
Grants	1,128,618	31,357
Other	(1,491,147)	(813,782)
Net Cash Provided by Operating Activities	$ 16,654,908	$ 14,564,121

The accompanying Notes to the Financial Statements are an integral part of this statement.

(1) GENERAL

The Rahway Valley Sewerage Authority (Authority) was created for the construction, operation and maintenance of a joint trunk sewer and wastewater treatment plant to serve municipalities in the Rahway Valley region. The Authority has a service agreement with its member municipalities which obligates each municipality to pay a share of the Authority's operating and capital expenditures, bond service and required reserve additions not met by other sources. Assessments to member municipalities are made in proportion to the contribution of each municipality's percentage share of the total average daily flow, suspended solids and biochemical oxygen demand from the municipality based on a forward moving average of the data for a five-year period. The Board of Commissioners is composed of eleven members, one each for the constituent municipalities.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Authority have been prepared in conformity with U.S. generally accepted accounting principles (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 most significant of the accounting policies are described below.

Cash Equivalents

Cash equivalents are stated at cost which approximates market. The Authority considers investments with maturities of three months or less to be cash equivalents.

Inventory

Inventory of spare parts and supplies is recorded as an expense when purchased and accordingly, is not included in the statements of net assets.

Vacation and Sick Leave

Authority employees are granted vacation in varying amounts and earn certain sick leave time. In the event of termination, an employee is reimbursed for accumulated vacation days and certain employees are eligible for the reimbursement of accumulated sick leave on a percentage basis. Accumulated unpaid vacation and sick leave is accrued when incurred.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Reporting Entity

The Authority's financial statements include the operations of the joint trunk sewer and wastewater treatment plant for which the Board of Commissioners of the Authority exercises financial accountability. The Authority is considered a joint venture of the participating governments. Board members are appointed to five-year terms by their respective municipalities. There are no additional entities required to be included in the reporting entity and the Authority is not included in any other reporting entity.

Basis of Accounting

The financial statements of the Authority have been prepared on the accrual basis and in accordance with generally accepted accounting principles applicable to enterprise funds of state and local governments. An Enterprise Fund is used to account for operations: (i) that are financed primarily through user charges, or (ii) where the governing body has decided that determination of net income is appropriate.

The accounting and financial reporting applied by the Authority is determined by its measurement focus. The financial statements are reported using the economic measurement focus and the accrual basis of accounting. The transactions of the Authority are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operations are included in the Statements of Net Position. Net Position (totals assets and deferred outflows net of total liabilities and deferred inflows) are segregated into invested in capital assets, restricted and unrestricted components.

Revenue Recognition

Revenue from Contracts with Customers, Identifying Performance Obligations and Licensing. The update addresses the complexity and understandability of performance obligations and how an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Authority recognizes revenue from exchange transactions comprised of primarily member assessments user fees when the earnings process is complete and services have been performed. Such revenues are recognized over the Authority's fiscal year. Revenues largely represent a single performance obligation that is satisfied over the Authority's year.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Accounting and Financial Reporting for Pensions

The Governmental Accounting Standards Board (GASB) has issued Statement No. 68 "Accounting and Financial Reporting for Public Employees Pensions" which requires the State of New Jersey to calculate and allocate, for note disclosure purposes only, the unfunded net pension liability of Public Employees Retirement System (PERS) and the Police and Firemen's Retirement System (PFRS) of the participating municipality as of December 31, 2021. The statement does not alter the amounts of funds that must be budgeted for pension payments under existing state law.

Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions (OPEB)

The Governmental Accounting Standards Board (GASB) has issued Statement no. 75, "*Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. It also requires the State of New Jersey to calculate and allocate to each participating member, for note disclosure purposes only, the OPEB net liability of New Jersey Health Benefits Local Government Retiree Plan (the Plan). The statement does not alter the amount of funds that must be budgeted for OPEB payment under existing state law.

Under GAAP, Authorities are required to recognize the OPEB liability in the Statements of Revenues, Expenses, Changes in Net Position (balance sheets) and Notes to the Financial Statements in accordance with GASB 75. The liability required to be displayed by GASB 75 is displayed as a separate line item in the Unrestricted Net Liabilities area of the balance sheet.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial 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. Currently, the Authority has two items that qualify for reporting in this category, deferred amounts related to pensions and OPEB.

In addition to liabilities, the statement of financial 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. The Authority has four items that qualify in this category: credits on debt refundings, deferred amounts related to pension, deferred amounts that relate to OPEB, and deferred bond premium.

Restricted Assets

In accordance with the Bond Resolution related to certain debt obligations of the Authority (see note 8), the Authority established a Construction Fund in which may be deposited the proceeds of Bonds or Notes issued to finance the costs of capital projects. The Authority shall apply the amounts on deposit in the Construction Fund for the payment of costs related to its capital asset plant facilities. The Authority may also apply the balance on deposit in the Construction Fund for the payment of the principal or redemption price of or interest on its Bonds, as defined.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

In addition to the Construction Fund, the Authority established the following Special funds:

FUND	AMOUNT	USE FOR WHICH RESTRICTED
Revenue	Revenues received by the Authority from municipality service charges	Authorized operating expenses and transfers to the various accounts described below
Operating	Amount required to equal the Operating Fund Requirement - The Operating Fund Requirement is defined as the amount of money which is equal to the amount necessary for the payment of operating expenses for the current fiscal year (in accordance with the provisions of the Annual Budget which is in effect at the date of determination) and any additional operating expenses provided for in accordance with generally accepted accounting principles.	Operating expenses
Operating Reserve	Amount of money which is equal to 25% of the operating expenses estimated by the Authority for the next fiscal year	Operating expenses
Debt Service	Amount needed to equal the Debt Service Requirement (as defined in the bond resolution)	Debt obligations
Debt Service Reserve	Amount needed to increase the balance to equal the Debt Reserve Requirement (as defined in the bond resolution)	Compliance with a Supplemental Resolution or Series Certificate, if any
Subordinated Payment Obligations	Amount needed to pay Subordinated Payment Obligations payable during the twelve-month period beginning on the first calendar day of such month	Subordinated Payment Obligations, if any
Capital Replacement	Amount provided in the Annual Budget and designations	Capital asset costs associated with the System (as defined in the bond resolution)

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

FUND	AMOUNT	USE FOR WHICH RESTRICTED
Rebate	Amount subject to rebate to the United States Government pursuant to the provisions of the Internal Revenue Code	Amounts due to the United States Government
General	To the extent that any funds are available	None

The Debt Service Fund, Debt Service Reserve Fund, and the Subordinated Payment Obligations Fund shall be held by the Trustee; all other Funds shall be held by the Authority.

In addition to the foregoing, the Authority established the Building and Equipment Fund to disburse funds for capital expenditures. This fund is under the direct control of the Authority subject to restrictions required under debt obligation agreements.

Capitalized Interest

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of major capital assets that have a construction period of over one year is reflected in the capitalized value of the asset constructed.

Income Taxes

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

Use of Estimates

The process of preparing financial statements in conformity with generally accepted accounting principles requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Net Position

Equity is classified as net position and displayed in three components:

1) Invested in Capital Assets - consists of capital assets, net of accumulated depreciation and reduced by the outstanding balances of any debt that are attributable to the acquisition, construction, or improvement of those assets.

2) Restricted - when constraints placed on net position are either a) externally imposed by creditors (such as the bond resolution), grantors, or laws or regulations of other governments or b) imposed by law.

3) Unrestricted - any other net position that does not meet the definition of "restricted" or "invested in capital assets."

Property, Plant and Equipment

Property, plant and equipment is stated at cost which includes construction costs and other expenditures related to construction. Depreciation is determined on a straight-line basis, for all plant and equipment. Depreciation is provided for over the following estimated useful lives:

Buildings and Improvements	20-40 years
Sewer Mains	30 years
Other Improvements	10-20 years
Machinery and Equipment	3-20 years
Vehicles	5 years

(2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Property, Plant and Equipment (continued)

Details of property, plant and equipment as of December 31, 2022 and 2021 are as follows:

	2022	2021
Land	$ 454,919	$ 454,919
Buildings and Improvements	160,848,812	160,848,812
Sewer Mains	17,752,868	17,752,868
Other Improvements	44,317,576	43,667,031
Machinery and Equipment	60,638,311	59,829,490
Vehicles	505,872	505,872
Construction in Progress	2,092,646	1,165,068
	286,611,004	284,224,060
Less: Accumulated Depreciation	129,365,029	119,710,057
Net Property, Plant and Equipment	$157,245,975	$164,514,003

(3) BUDGETARY PROCEDURES

The Authority follows these procedures in establishing the Operating Fund budget:

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

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

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

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

Operating expense appropriations lapse at the close of the fiscal year to the extent that they have not been expended.

The level at which expenditures cannot exceed the budget is at the total budget level.

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

(4) CASH AND CASH EQUIVALENTS

The components of cash and cash equivalents are summarized as follows:

	Unrestricted	Restricted
December 31, 2022: Cash and Cash Equivalents	$4,412,600	$6,281,656
December 31, 2021: Cash and Cash Equivalents	$4,044,178	$5,252,189

Cash on deposit is partially insured by the Federal Deposit Insurance Corporation in the amount of $250,000 in each bank depository. Balances above the federal depository insurance amount are insured by the State of New Jersey Governmental Unit Deposit Protection Act (NJGUDPA).

Custodial Credit Risk – Custodial credit risk is the risk that in the event of a bank failure, the deposits may not be returned. The Authority does not have a specific deposit policy for custodial credit risk other than those policies that adhere to the requirements of statute. As of December 31, 2022, based upon the coverage provided by FDIC and NJGUDPA, no amount of the bank balance was exposed to custodial credit risk.

(5) INVESTMENTS

The Authority's investment policy principally permits the investing of funds in the following types of investments:

Bonds, debentures, notes or other evidence of indebtedness issued by any agency or instrumentality of the United States or by any corporation chartered by the United States to the extent that such obligations are guaranteed by the United States or by another such agency and Defeasance Securities.

Negotiable or nonnegotiable certificates of deposit issued by any bank, trust company, or national banking associations which certificates of deposits shall be continuously secured by obligations described in the first paragraph above.

Deposits in the NJ Cash Management Fund and other deposits defined in the Authority's Bond Resolution.

(6) OTHER RECEIVABLE

Under a Confidential Agreement of Settlement and General Release, the Authority settled a dispute with one of the parties in connection with the Authority's Cogeneration Facility. The agreement provides for a settlement of $4.4 million. The settlement amount was funded under a Funding Agreement and will be paid periodically over a period of twenty (20) years. Total payments to be received over the twenty-year period amounts to $6,225,000.

In 2016, the Authority recorded a receivable in the amount of $4,400,000 reflecting the litigation settlement amount. Interest on the settlement payments are recorded as payments are received. In 2022 and 2021, the Authority received payments of $234,000 in each year in accordance with the funding schedule. This payment included interest that was realized in the amount of $111,968 and $115,426 in the years ended December 31,2022 and 2021, respectively. The receivable balance of the settlement agreement at present value at December 31, 2022 and 2021 amounts to $3,592,165 and $3,717,755, respectively.

The total remaining payments to be received are scheduled as follows:

Period	Annual Amount	Total Amount
2023 to 2031	$234,000	$2,106,000
2032	265,000	265,000
2033	300,000	300,000
2034	500,000	500,000
2035	750,000	750,000
2036	900,000	900,000
		$4,821,000

(7) PROPERTY PLANT AND EQUIPMENT

Property, Plant and Equipment is summarized as follows:

	Balance Dec 31, 2021	Increase	Transfers/ (Decreases)	Balance Dec 31, 2022
Land	$ 454,919			$ 454,919
Buildings and Improvements	160,848,813			160,848,813
Sewer Mains	17,752,867			17,752,867
Other Improvements	43,667,031		$ 650,545	44,317,576
Machinery and Equipment	59,829,490	$ 220,738	588,082	60,638,311
Vehicles	505,872			505,872
Construction in Progress	1,165,067	2,166,205	(1,238,627)	2,092,645
	$284,224,060	$ 2,386,943	$ --	$286,611,004
Less: Accumulated Depreciation	119,710,057	9,654,972	--	129,365,029
Net Property, Plant and Equipment	$164,514,003	$(7,268,029)	$ ---	$157,245,975

(8) DEBT OBLIGATIONS

	2022	2021
A summary of long-term debt follows:		
New Jersey Infrastructure Bank 2002 Obligations, due August 2022	$ ---	$ 349,555
New Jersey Infrastructure Bank 2003 Obligations, due August 2023	1,598,193	3,173,024
New Jersey Infrastructure Bank 2004 Obligations, due August 2024	15,222,049	22,661,560
New Jersey Infrastructure Bank 2004 Obligations, due August 2024	451,026	665,202
New Jersey Infrastructure Bank 2005 Obligations, due August 2025	8,136,194	10,719,783
New Jersey Infrastructure Bank 2015 A & B Obligations, due August 2034	1,147,966	1,238,459
New Jersey Infrastructure Bank 2021 A-1 Obligations, due August 2050	5,959,049	6,148,122
Sewer Revenue Bonds, 2005 (Capital Appreciation Bonds), due September 2035	79,283,825	75,601,088
Total Debt	$111,798,302	$120,556,793
Less Current Maturities	12,274,751	12,441,229
Total Long-Term Debt	$ 99,523,551	$108,115,564

(8) DEBT OBLIGATIONS (CONTINUED)

Aggregate long-term principal debt payment requirements over the next five years are as follows:

2023	$ 12,274,751
2024	11,617,861
2025	6,600,595
2026	4,100,809
2027	3,913,946

Detail information regarding Debt Obligations at December 31, 2022 and 2021 follows:

New Jersey Infrastructure Bank (NJIB)

Total obligations payable to the NJIB at December 31, 2022 and 2021 amounted to $45.0 million and $57.3 million, respectively. A summary of the NJIB obligations follow:

A. In November 2003, the Authority issued $25.1 million NJIB Series 2003 obligations due in August 2023. These obligations represent the permanent financing to fund the construction costs related to the Cogeneration Facility, a segment of the Authority's Capital Improvement Program (CIP) and the remainder of certain other plant upgrades. "Principal balance refunding credits" have been realized on this debt. Refunding credits amounting to $310,000 have been recorded as a Credit on Debt Refunding and are being amortized over the remaining term of the loan as a credit to interest expense. The annual interest rate on the outstanding principal amount of $1,050,000 of such obligations approximates 4.75% over the remaining term. No interest is due on the remaining principal amount of $658,193.

B. In November 2004, the Authority issued $114.2 million NJIB Series 2004 obligations due in August 2024. These obligations represent a portion of the permanent financing to fund the construction costs related to the wastewater treatment plant improvements that are part of the CIP. "Principal balance refunding credits" have been realized on this debt. Refunding credits amounting to $3,094,333 have been recorded as a Credit on Debt Refunding and is being amortized over the remaining term of the loan as a credit to interest expense. The annual interest rate on the outstanding principal amount of $8.7 million of such obligations approximates 4.5% over the remaining term. No interest is due on the remaining principal amount of $6.5 million.

(8) DEBT OBLIGATIONS (CONTINUED)

New Jersey Infrastructure Bank (NJIB) (Continued)

C. In November 2004, the Authority issued $3.5 million NJIB Series 2004 obligations due in August 2024. These obligations represent additional permanent financing to fund the construction costs related to the Cogeneration Facility and certain plant upgrades. "Principal balance refunding credits" have been realized on this debt. Refunding credits amounting to $99,853 have been recorded as a Credit on Debt Refunding and is being amortized over the remaining term of the loan as a credit to interest expense. Annual principal and interest payments under these obligations will average approximately $95 thousand through the year 2024. The annual interest rate on the outstanding principal amount of $285,000 of such obligations approximates 4.5% over the remaining term. No interest is due on the remaining principal amount of $192 thousand.

D. In November, 2005, the Authority issued $41.2 million NJIB Series 2005 obligations due in August 2025. These obligations represent additional permanent financing to fund the construction costs related principally to the wastewater treatment plant and gravity relief sewer segments of the CIP. "Principal balance refunding credits" have been realized on this debt. Refunding credits amounting to $1,234,954 have been recorded as a Credit on Debt Refunding and is being amortized over the remaining term of the loan as a credit to interest expense. Annual principal and interest payments under these obligations will average approximately $1.8 million through the year 2025. The annual interest rate on the outstanding principal amount of $5,435,000 approximates 4.4% over the remaining term. No interest is due on the remaining principal amount of $3.2 million.

(8) DEBT OBLIGATIONS (CONTINUED)

New Jersey Infrastructure Bank (NJIB) (Continued)

E. In May 2015, the Authority issued $1.7 million NJIB Series 2015A-I obligations due in August 2034. These obligations represent funding for upgrades to the Digester Gas Treatment System and Chemical Feed System. Annual principal and interest payments under these obligations will average approximately $85 thousand through the year 2034. The annual interest rate on the outstanding principal amount of $385,000 of such obligations approximates 4.5% over the remaining term. No interest is due on the remaining principal amount of $763 thousand.

As part of this financing, the Authority was granted $399,980 of loan forgiveness which has been treated as grant income on the financial statements. The full amount of the forgiveness has been received through 2020.

F. In June 2021, for purposes of permanent financing, the Authority issued $6.3 million NJIB Series 2021 A-1 obligations due in August 2050. These obligations represent the permanent financing for improvements to the Authority's Digester Covers and Gas Flares and the construction of a Food Waste Station. Annual principal and interest payments under these obligations will average approximately $245 thousand to August 2050. The annual interest rate on the outstanding principal amount of $1.5 million approximates 3.1% over the remaining term. No interest is due on the remaining principal amount of $4.5 million.

Sewer Revenue Bonds, 2005 – Capital Appreciation Bonds

In July 2005, the Authority issued Sewer Revenue Bonds (Capital Appreciation Bonds) Series 2005 obligations due in the year 2035. These obligations have an issue value of $34.7 million and a maturity value of $112.9 million. These bonds will be paid over a twelve-year period beginning in the year 2024 and ending in September 2035. These obligations represent additional permanent financing to fund the remaining cost of the Year 2002 Capital Improvement Program. Annual principal and interest payments under these obligations will be $1.7 million in the year 2024, $9.0 million in the year 2025, and approximately $10.2 million in each year thereafter through the year 2035. Annual interest rates on these obligations range between 4.68% and 4.88%.

Interest on the Capital Appreciation Bonds is accreted in accordance with an Accreted Value Table. The accreted value of the Capital Appreciation Bonds outstanding at December 31, 2022 and 2021 amounted to $79.3 million and $75.6 million, respectively. These amounts include $44.6 million and $40.9 million of accreted interest at December 31, 2022 and 2021, respectively.

(9) CREDITS ON DEBT REFUNDINGS

The Credits on Debt Refundings relate to "principal balance refunding credits" realized on NJIB debt obligations. The total savings in principal payments amounted to $4,757,529. The Credits on Debt Refundings are being amortized through the year 2025 on a straight-line basis. Amortization of $357,607 was recorded in the each of the years 2022 and 2021, which reduced interest expense. The unamortized balance of the Credits on Debt Refundings amounted to $544,053 and $901,660 at December 31, 2022 and 2021, respectively. The Credits on Debt Refundings are presented in the Statements of Net Position at December 31, 2022 and 2021 under the caption "Deferred Inflows of Resources".

(10) NET POSITION

The components of net position are as follows:

	December 31, 2022	December 31, 2021
Net Position:		
Net Investment in Capital Assets	$45,447,673	$42,774,011
Restricted:		
Building and Equipment Fund	4,691,315	3,839,787
Capital Replacement Fund	575,932	490,135
Operating Reserve Fund	3,867,275	3,658,000
Debt Service Fund	594,433	693,113
Total Restricted	$ 9,728,955	$ 8,681,035
Unrestricted:		
Appropriated Budget	$ 500,000	$ 750,000
Unappropriated	764,890	1,483,797
Rate Stabilization Fund	350,000	350,000
Net Pension Liability	(9,869,765)	(11,107,741)
Net OPEB Liability	(17,052,450)	(17,508,227)
Total Unrestricted	$(25,307,325)	$(26,032,171)
Total Net Position	$ 29,869,303	$ 25,422,875

(11) PENSION PLAN

All required full-time employees of the Authority are covered by the Public Employees' Retirement System which has been established by state statute and is administered by the New Jersey Division of Pensions and Benefits (Division). According to the State of New Jersey Administrative Code, all obligations of the System will be assumed by the State of New Jersey should the System terminate. The Division issues a publicly available financial report that includes financial statements and required supplementary information for the system. These reports may be obtained by writing to the Division of Pensions and Benefits, PO Box 295, Trenton, New Jersey, 08625 or online at www.state.nj.ustreasury/pensions.

The Public Employees' Retirement System (PERS) was established as of January 1, 1955 under the provision of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members. The Public Employees' Retirement System is a cost-sharing multiple-employer plan. Membership is mandatory for substantially all full-time employees of the State of New Jersey or any county, municipality, school district, or public agency, provided the employee is not required to be a member of another state-administered retirement system or other state or local jurisdiction.

The Defined Contribution Retirement Program (DCRP) was established under the provision of Chapter 92, P.L. 2007 and Chapter 103, P.L. 2007 to provide coverage to elected and certain appointed officials and part-time employees, effective July 1, 2007. Part-time employees that earn an annual salary of at least $5,000 and work less than 35 hours per week are eligible to enroll in the New Jersey Defined Contribution Plan (DCRP). The DCRP is offered through the Prudential Retirement Insurance and Annuity Company. Employees contribute 5.5% of salary and the Authority contributes 3% of salary, for a total contribution of 8.5%. Membership is mandatory for such individuals with vesting occurring after one year of membership. The Authority has no employees enrolled in the DCRP.

Significant Legislation

Effective June 28, 2011, P.L. 2011, c. 78 enacted certain changes in the operations and benefit provisions of the PERS system.

Pension Plan Design Changes

Effective June 28, 2011, P.L. 2011, c. 78, new members of PERS, hired on or after June 28, 2011, will need 30 years of creditable service and have attained the age of 65 for receipt of the early retirement benefit without a reduction of 1/4 of 1% for each month that the member is under age 65. New members will be eligible for a service retirement benefit at age 65.

(11) PENSION PLAN (CONTINUED)

Funding Changes

Under the new legislation, the methodology for calculating the unfunded accrued liability payment portion of the employer's annual pension contribution to the PERS was changed. The unfunded actuarial accrued liability (UAAL) will be amortized for each plan over an open-ended 30-year period and paid in level dollars. Beginning with the July 1, 2021 actuarial valuation (July 1, 2021 for PFRS), the UAAL will be amortized over a closed 30-year period until the remaining period reaches 20, when the amortization period will revert to an open-ended 20-year period.

COLA Suspension

The payment of automatic cost-of-living adjustment to current and future retirees and beneficiaries are suspended until reactivated as permitted by this law.

Vesting and Benefit Provisions

The vesting and benefit provisions of PERS are set by N.J.S.A. 43:15A and 43.3B. All benefits vest after ten years of service, except for post-retirement healthcare benefits that vest after 25 years of service.

Members are always fully vested for their own contributions and, after three years of service credit, become vested for 2% of related interest earned on the contributions. In the case of death before retirement, members' beneficiaries are entitled to full interest credited to the members' accounts.

Contribution Requirements

The contribution policy is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. Plan member and employer contributions may be amended by State of New Jersey legislation.

Effective June 28, 2011, P.L. 2011, c. 78 provides for increases in the employee contribution rates: from 5.5% to 6.5% plus an additional 1% phased-in over 7 years beginning in the first year, meaning after 12 months, after the law's effective date for PERS.

Employers are required to contribute at an actuarially determined rate for PERS. The actuarially determined contribution includes funding for cost-of-living adjustments, noncontributory death benefits, and post-retirement medical premiums.

(11) PENSION PLAN (CONTINUED)

Contribution Requirements:

Three Year Trend Information for PERS

Year Ended June 30	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
2022	$715,589	100%	$715,589
2021	624,844	100%	624,844
2020	584,583	100%	584,583

DCRP Contributions

The Authority did not make DCRP contributions for the years ended December 31, 2022 and 2021.

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68

Public Employees Retirement System (PERS)

At June 30, 2022, the State reported a net pension liability of $9,264,137 for the Authority's proportionate share of the net pension liability. The total pension liability for the June 30, 2022 measurement date was determined by 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 a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating employers, actuarially determined. At June 30, 2022, the Authority's proportion was 0.0613869564 percent, which was an increase of 0.0002837982 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the State recognized an actuarially determined pension benefit of $463,857 for the Authority's proportionate share of the total pension expense. The pension expense recognized in the Authority's financial statement based on the April 1, 2022 billing was $715,589.

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68 (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	Deferred Inflow of Resources	Deferred Outflow of Resources
Changes of assumptions	$1,387,208	$ 28,703
Net difference between expected and actual experience	58,968	66,864
Net difference between projected and actual earnings on pension plan investments	--	383,434
Changes in proportion and differences between Authority contributions and proportionate share of contributions	285,527	647,071
Contributions subsequent to the measurement date	--	--
	$1,731,700	$1,126,072

Other local amounts reported by the State as the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in the State's actuarially calculated pension expense as follows:

Year Ended June 30	Amount
2023	$ (722,359)
2024	(332,548)
2025	(125,133)
2026	503,050
2027	71,362
	$(605,628)

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68 (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Actuarial Assumptions

The collective total pension liability for the June 30, 2022 measurement date was determined by an actuarial valuation as of July 1, 2021, which rolled forward to June 30, 2022. These actuarial valuations used the following assumptions:

	6/30/2022	6/30/2021
Inflation	2.75 Percent	2.75 Percent
Wage	3.25 Percent	3.25 Percent
Salary Increases (based on):	(years of service)	(years of service)
Through 2026	2.75-6.55 Percent	2.00-6.00 Percent
Investment Rate of Return	7.00 Percent	7.00 Percent

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.

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68 (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at both June 30, 2022 and 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 are summarized in the following table:

	June 30, 2022	
Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	27.00%	8.12%
Non-U.S. Developed Market Equity	13.50%	8.38%
Emerging Market 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. Treasury's	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%
	100.00%	

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68 (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of both June 30, 2022 and June 30, 2021. 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 all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

The following presents the Authority's proportionate share of the net pension liability of the participating employers as of June 30, 2022, respectively, 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 was calculated using a discount rate that is 1-percentage point lower or 1- percentage point higher than the current rate:

	June 30, 2022		
	1% Decrease 6.00%	At Current Discount Rate 7.00%	1% Increase 8.00%
Authority's proportionate share of the pension liability	$11,901,702	$9,264,137	$7,019,463

(12) ACCOUNTING AND FINANCIAL REPORTING FOR PENSION - GASB 68 (CONTINUED)

Public Employees Retirement System (PERS) (Continued)

Special Funding Situation

In accordance with N.J.S.A. 43:16A-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. For PERS, the legislation which legally obligates the State is found in Chapter 133, P.L. 2001. This special funding situation is due to the State paying the additional normal cost related to benefit improvements from Chapter 133. Previously, this additional normal cost was paid from the Benefit Enhancement Fund (BEF). As of June 30, 2022, there is no net pension liability associated with this special funding situation as there was no accumulated difference between the annual additional normal cost under the special funding situation and the actual State contribution through the valuation date.

The amounts contributed by the State on behalf of the Authority 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 nonemployer contributing entity. Since the Authority does not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability or deferred outflows or inflows to disclose in the notes to the financial statements of the Authority related to this legislation.

Pension Plan Fiduciary Net Position

Detailed information about the pension plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey Public Employees Retirement System (PERS). The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 http://www.state.nj.us/treasury/pensions.

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75

The Governmental Accounting Standards Board (GASB) has issued Statement No. 75, "Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions". This statement establishes standards for measuring and recognizing liabilities, deferred outflows and inflows of resources, and expenses for postemployment benefits other than pensions. OPEB obligations are non-pension benefits that the authority has contractually or otherwise agreed to provide employees once they have retired and, in most instances, will be for retirement health, prescription and dental insurance coverage.

Under current New Jersey budget and financial reporting requirements, the Authority is not required to fund any amounts in excess of their current costs on a pay-as-you-go basis or to accrue funds, create a trust or issue debt to finance their other post-employment benefit liability. Additionally, the Authority is not required to recognize any long-term obligations resulting from OPEB on their financial statements.

Plan Description and Benefits Provided

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. The Plan meets the definition of an equivalent arrangement as defined in paragraph 4 of GASB Statement No. 75, *Accounting and Financial Reporting for the Postemployment Benefits Other Than Pensions*; therefore, assets are accumulated to pay associated benefits.

The Plan provides medical and prescription drug coverage to retirees and their covered dependents of the employers. Under the provisions of Chapter 88, P.L 1974 and Chapter 48, P.L. 1999, local government employers electing to provide postretirement medical coverage to their employees must file a resolution with the Division. Under Chapter 88, local employers elect to provide benefit coverage based on the eligibility rules and regulations promulgated by the State Health Benefits Commission. Chapter 48 allows local employers to establish their own age and service eligibility for employer paid health benefits coverage for retired employees.

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Plan Description and Benefits Provided (Continued)

Under Chapter 48, the employer may assume the cost of postretirement medical coverage for employees and their dependents who: 1) retired on a disability pension; or 2) retired with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 3) retired and reached the age of 65 with 25 or more years of service credit in a State or locally administered retirement system and a period of service of up to 25 years with the employer at the time of retirement as established by the employer; or 4) retired and reached age 62 with at least 15 years of service with the employer. Further, the law provides that the employer paid obligations for retiree coverage may be determined by means of a collective negotiations' agreement.

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

The State also provides funding for retiree health benefits to survivors of local police officers and firefighters who die in the line of duty under Chapter 271, P.L.1989.

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

Contributions

The Authority's contributions to SHBP for the years ended December 31, 2022 and 2021 were $364,597 and 299,107.00 respectively, which equaled the required contributions for each year.

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Total Net OPEB Liability

At June 30, 2022, the Plan reported a Liability of $13,527,063 for the Authority's proportionate share of the collective Net OPEB liability. The total Net OPEB Liability measured as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022.

The Authority's proportion of the Net OPEB Liability was based on the ratio of the plan members of an individual employer to the total members of the Plan's nonspecial funding situation during the measurement period July 1, 2021 through June 30, 2022.

At June 30, 2022, the Authority's proportion was 0.083761 percent, which was an increase of 0.000877 percent from its proportion measured as of June 30, 2021.

For the year ended June 30, 2022, the State reported OPEB expense of $261,253. This OPEB benefit was based on the OPEB plans June 30, 2022 measurement date.

At June 30, 2022, the State reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	$698,552	$2,507,342
Changes of assumptions	1,805,243	4,616,526
Net difference between projected and actual earnings on OPEB plan investments	3,561	
Changes in proportion	1,882,646	1,156,118
Contributions subsequent to the measurement date	364,597	
	$4,754,599	$8,279,986

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Other local amounts reported by the State as the Authority's proportionate share of deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in the State's actuarially calculated pension (benefit)/expense as follows:

Year Ended June 30,	Amount
2023	($1,080,436)
2024	($1,081,518)
2025	($823,499)
2026	($287,368)
2027	$48,302
Thereafter	($665,463)
	($3,889,984)

Actuarial Assumptions and Other Inputs

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):	
Initial fiscal year applied	
Rate for all future years	2.75% to 6.55%
Police and Firemen's Retirement System (PFRS):	
Rate for all future years	3.25% to 16.25%

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Actuarial Assumptions and Other Inputs (Continued)

Mortality

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

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

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.

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 the Authority's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate

The following presents the Net OPEB Liability associated with the Authority's as of June 30, 2022, calculated using the discount rate as disclosed above as well as what the 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:

	June 30, 2022		
	1.00% Decrease (2.54%)	At Discount Rate (3.54%)	1.00% Increase (4.54%)
Authority's proportionate share of the Net OPEB Liability	$15,680,589	$13,527,063	$11,794,349

(13) ACCOUNTING AND FINANCIAL REPORTING FOR POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB) – GASB 75 (CONTINUED)

Sensitivity of the Authority's Proportionate Share of the Net OPEB Liability to Changes in Healthcare Trends

The following presents the total Net OPEB Liability associated with the Authority's 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:

	June 30, 2022		
	1.00% Decrease	Healthcare Cost Trend Rate	1.00% Increase
Authority's proportionate share of the Net OPEB Liability	$11,475,415	$13,527,063	$16,154,646

OPEB Plan Fiduciary Net Position

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued Financial Report for the State of New Jersey State Health Benefits Local Government Retired Employees Plan. The report may be obtained at State of New Jersey Division of Pensions and Benefits P.O. Box 295 Trenton, New Jersey 08625-0295 http://www.state.nj.us/treasury/pensions

(14) COMPENSATED ABSENCES

Certain employees are allowed to accumulate (with restrictions) unused vacation benefits and sick leave. Accrued expenses related to these costs included in current liabilities at December 31, 2022 and 2021 amounted to $307,637 and $274,708, respectively.

(15) LITIGATION SETTLEMENT RELATED TO CAPITAL IMPROVEMENT PROGRAM

The Authority was a party defendant in an action initiated in the New Jersey Superior Court, Chancery Division, Union County, by the New Jersey Department of Environmental Protection. A public interest environmental group was granted permission by the Court to intervene in the action of the plaintiff. The plaintiffs alleged that the Authority violated several provisions of its New Jersey Pollutant Discharge Elimination System (NJPDES) Permit over a period of time. The Authority denied the allegations and asserted defenses to the plaintiffs' claims. While in trial, the parties agreed on a settlement of all claims among the parties. A $965,000 provision for the litigation settlement was included as a charge to operations in the year ended December 31, 2000. Pursuant to the terms of the settlement agreement, the Authority paid $365,000 in the year 2001 and the remaining $600,000, with interest, was paid in the year 2002. The basic terms of the settlement included in a Judicial Consent Order (JCO) entered by the Court in October, 2001 that required the Authority to significantly increase and improve its treatment capabilities and the effluent quality. The requirements of the JCO were incorporated into the Authority's Year 2002 Capital Improvement Program (CIP). The CIP included the following segments: (i) Wastewater Treatment Plant (WWTP) improvements; (ii) Gravity Relief Sewer (GRS); and (iii) a Power Generating Sludge Drying Facility (Cogeneration Facility). The CIP established short, intermediate and long-term schedules for achieving permit compliance and closing the Authority's combined sewer overflows. The requirements of the JCO have been satisfied.

(16) LITIGATION AND RELATED MATTERS

During the year 2009, litigation was commenced by the Authority in connection with the Authority's Cogeneration Facility (the "Facility"). The RVSA constructed the Facility on the basis that operating the Facility as the WWTP's primary power source would lower annual operating costs by over $1 million per year. It was determined that operating the Facility as designed actually imposed increases in operating costs to the Authority. On March 24, 2011 the RVSA filed a Demand for Arbitration asserting claims against various parties including the design engineer, the construction oversight manager, the general contractor, the supplier of the gas generators and other parties. A related action was commenced by the Authority on October 1, 2012 against parties with whom the Authority did not have an arbitration requirement. The Authority continued to investigate the extent to which it can mitigate its damages. Certain settlements were realized in 2017 on both the arbitration and litigation with several parties who had arbitration provisions in their contracts.

Efforts to resolve the dispute were successful. Settlements with the third parties aggregated approximately $7.1 million of which $850 thousand was received in 2016. The remaining $6.2 million is being paid under the terms of a Funding Agreement with remaining payments as of December 31, 2022 as follows:

Period	Annual Amount	Total Amount
2023 to 2031	$234,000	$2,106,000
2032	265,000	265,000
2033	300,000	300,000
2034	500,000	500,000
2035	750,000	750,000
2036	900,000	900,000
		$4,821,000

Settlement payments of $234,000 were received in each of the years ended December 31, 2022 and 2021. Interest income is being recorded on the funding agreement as payments are received.

(17) COMMITMENTS AND CONTINGENCIES

A. The Authority's Year 2002 Capital Improvement Program (CIP), with a cost of approximately $225 million is discussed in Note 15. A substantial portion (95%) of such costs is related to the Judicial Consent order (JCO).

The major sources of financing for the CIP were borrowings under the NJIB loan program and the issuance of Capital Appreciation Bonds (CABS). Total borrowings outstanding under the NJIB Trust/Fund Loan Program related to the CIP at December 31, 2021 were $49 million. The NJIB borrowings outstanding at December 31, 2021 mature in the Year 2025. The CABS, with an issue value of $34.7 million and a maturity value of $112.9 million, will be paid over a twelve-year period beginning in the Year 2024 and ending in the Year 2035.

Debt service payment requirements related to the year 2002 CIP will continue to be a significant component of assessments to member municipalities through the Year 2035. Annual debt service payment requirements will be in the $13 million range through the Year 2024, $12 million in the Year 2025 and in the $10 million range each year thereafter through the Year 2035. A significant portion of the Authority's operating revenues are generated by annual assessments to its member municipalities (95% for the year ended December 31, 2022).

B. In January 2017, the Authority signed an agreement for a Public Private Partnership (PPP) to accept specified feedstock (food waste) for co digestion with its bio solids and entered into a contract with an initial term of 10 years with an optional renewal for 3 to 10 years. The contract is a design/build construction contract which entails the refurbishing of an existing sludge thickening tank that is being utilized as a feedstock receiving station. The project is expected to generate energy savings, tip fees, and energy credits over the first 10 years approximating $6 million which will be used to offset the cost of operating the Authority. The project is expected to take 3 to 4 years to ramp up to maximum operations. Live operations began in April 2018 with feedstock deliveries. The official contracted commercial operating date began August 1, 2018 after full acceptance of the construction project and the appurtenant equipment.

C. In conjunction with the aforementioned PPP project, in December 2017 the Authority issued a $2.0 million Note with the NJIB that became due June 30, 2021. The Note bore no interest. This interim financing was secured for the construction of the Food Waste Station. In April 2018 the Note was increased to approximately $2.4 million. The Authority permanently financed the Note prior to maturity through the NJIB financing program in June 2021.

This debt was repaid in June 2021 upon the issuance of $6.3 million NJIB Series 2021 A-1 obligations due in August 2050 as permanent financing for this project. Repayments of this debt began in 2021 and matures in 2050.

(17) COMMITMENTS AND CONTINGENCIES (CONTINUED)

D. In March 2023 the Authority applied and received approval for funding under the Water Bank Construction Financing Program of the New Jersey Infrastructure Bank for the Authority's Project No. S340547-17. Funding has been approved not to exceed $5,800,000 under the Authority's Resolution adopted in September 2022 for this Headworks Project.

(18) GRANTS

A) In 2020 the Authority applied for and received grant funds under the US Treasury CARES Act Relief Fund. Funds were received to cover additional and emergency expenses relating to the COVID-19 pandemic. A total of $683,092 was received in 2020. The balance of $31,357 was received in 2021.

B) In 2021 a weather disaster caused significant damage to the Woodbridge Spur Sewer Line. Extensive work is needed to remove and replace the steel sheeting wall at a cost approximating $1.9 million. The Authority has applied for and received assistance funds from the Federal Emergency Management Agency (FEMA). Funding of $1.7 million is expected to complete this project. Work began in the 2022 year. FEMA provided funding of $1.1 million toward the work completed in 2022.

C) The Authority applied for additional COVID-19 pandemic cost assistance with the Federal Emergency Management Agency (FEMA) to cover additional payroll costs incurred during the pandemic. The Authority was notified of eligibility for a reimbursement of $88,286. These funds are expected to be received in 2023.

(19) SUBSEQUENT EVENTS

The Authority has evaluated subsequent events occurring after the financial statement date through October 18, 2023, which is the date the financial statements were available to be issued. Based on this evaluation, the Authority notes the following:

The Authority has determined that no further subsequent events have occurred which require disclosure in the financial statements.

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SUPPLEMENTARY INFORMATION

SCHEDULE 1

RAHWAY VALLEY SEWERAGE AUTHORITY

SCHEDULE OF REVENUES, EXPENSES AND CHANGES
IN NET POSITION RESERVED AND UNRESERVED
YEARS ENDED DECEMBER 31, 2022 AND 2021

	OPERATING AND REVENUE FUNDS AND INVESTMENT IN CAPITAL ASSETS, NET	RATE STABILIZATION FUND	CAPITAL REPLACEMENT FUND	OPERATING RESERVE FUND	DEBT SERVICE FUND	TOTAL 2022	TOTAL 2021
Operating Revenues:							
Member Annual Assessments	$ 29,048,975	$	$	$	$	$ 29,048,975	$ 27,426,500
Discharge, Permit and Other Fees	1,214,479					1,214,479	1,270,788
Food Waste Fees	149,882					149,882	170,476
Other Income, Net	31,468					31,468	177,259
Total Operating Revenues	$ 30,444,804	$ -	$ -	$ -	$ -	$ 30,444,804	$ 29,045,023
Operating Expenses:							
Costs of Providing Services	$ 11,580,902	$	$	$	$	$ 11,580,902	$ 10,872,569
General and Administrative	3,737,905					3,737,905	3,766,189
Pension Expense Charge	(1,237,976)					(1,237,976)	(1,416,707)
OPEB Expense Charge	(455,777)					(455,777)	(39,437)
Depreciation	9,654,972					9,654,972	9,566,677
Total Operating Expenses	$ 23,280,026	$ -	$ -	$ -	$ -	$ 23,280,026	$ 22,749,291
Operating Income	$ 7,164,778	$ -	$ -	$ -	$ -	$ 7,164,778	$ 6,295,732
Nonoperating Revenues (Expenses):							
Interest Income - Unrestricted Funds	$ 30,334	$	$	$	$	$ 30,334	$ 26,558
Interest Income - Restricted Funds	100,353		1,937	12,249	17,781	132,320	116,322
Grants	1,128,618					1,128,618	31,357
Interest Expense, Net	(3,740,824)				(268,798)	(4,009,622)	(4,127,531)
Income (Loss) Before Transfers	$ 4,683,259	$ -	$ 1,937	$ 12,249	$ (251,017)	$ 4,446,428	$ 2,342,438
Interfund Transactions, Net	$ (433,223)	$	$ 83,860	$ 197,026	$ 152,337	$ -	$ -
Net Position, Beginning of Year	20,231,627	350,000	490,135	3,658,000	693,113	25,422,875	23,080,437
Net Position, End of Year	$ 24,481,663	$ 350,000	$ 575,932	$ 3,867,275	$ 594,433	$ 29,869,303	$ 25,422,875

SCHEDULE 2

RAHWAY VALLEY SEWERAGE AUTHORITY

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN CASH AND CASH EQUIVALENTS - UNRESTRICTED ACCOUNTS (OPERATING AND REVENUE ACCOUNTS)
YEARS ENDED DECEMBER 31, 2022 AND 2021

	TOTAL 2022	TOTAL 2021
Cash and Cash Equivalents, Beginning of Year	$ 4,052,882	$ 3,824,762
Cash Receipts:		
Member Annual Assessments	$ 29,048,975	$ 27,426,500
Discharge Fees	874,703	1,020,168
Permit Fees	237,959	235,520
Sewer Connection Fees	18,450	15,100
Food Waste Fees	138,489	170,476
Interest on Investments	30,334	26,558
Grants	-	31,357
Other, Net	31,468	-
Transfers from Restricted Funds	13,298,814	25,055,685
Total Cash and Cash Equivalents Available	$ 47,732,074	$ 57,806,126
Cash Disbursements:		
Operations	$ 14,890,756	$ 13,027,518
Transfers to Restricted Funds	28,428,718	40,725,726
Total Cash Disbursements	$ 43,319,474	$ 53,753,244
Cash and Cash Equivalents, End of Year	$ 4,412,600	$ 4,052,882

SCHEDULE 3

RAHWAY VALLEY SEWERAGE AUTHORITY

SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS,
CHANGES IN CASH, CASH EQUIVALENTS AND INVESTMENTS-RESTRICTED ACCOUNTS
YEARS ENDED DECEMBER 31, 2022 AND 2021

	CAPITAL REPLACEMENT FUND	OPERATING RESERVE FUND	BUILDING AND EQUIPMENT FUND	CONSTRUCTION FUND	DEBT SERVICE FUND	TOTAL 2022	TOTAL 2021
Cash and Cash Equivalents, Beginning of Year	$ 490,135	$ 3,658,000	$ 8,704	$ 1,659	$ 1,093,690	$ 5,252,189	$ 5,774,079
Cash Receipts:							
Proceeds from the NJIB Loan Program						-	640,423
Grant Funds Received			1,128,618			1,128,618	-
Insurance Funds Received						-	13,550
Interest on Investments	1,937	12,249	1,194		17,781	33,161	3,045
Capital Litigation Settlement			234,000			234,000	234,000
Transfers From Unrestricted Funds	1,947,860	209,002			26,271,856	28,428,718	40,725,726
Transfers From Other Funds	-		1,864,000			1,864,000	1,632,915
Total Cash Receipts	$ 2,439,932	$ 3,879,251	$ 3,236,516	$ 1,659	$ 27,383,327	$ 36,940,686	$ 49,023,738
Cash Disbursements:							
Payments of Bond Principal	$	$	$	$	$ 12,441,228	$ 12,441,228	$ 12,532,042
Payments of Bond Interest					821,032	821,032	1,442,892
Capital Assets			2,233,955			2,233,955	2,846,817
Transfers to Unrestricted Funds	-	11,976	29,001		13,257,837	13,298,814	25,055,685
Transfers to Other Funds	1,864,000					1,864,000	1,894,114
Total Cash Disbursements	1,864,000	11,976	2,262,956	-	26,520,097	30,659,029	43,771,550
Cash and Cash Equivalents, End of Year	$ 575,932 *	$ 3,867,275 *	$ 973,560 *	$ 1,659 *	$ 863,230 *	$ 6,281,658	$ 5,252,189

RAHWAY VALLEY SEWERAGE AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES COMPARED TO BUDGET FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022 BUDGET	2022 ACTUAL	2021 ACTUAL
Revenues:			
Member Annual Assessments:			
Township of Woodbridge	$ 6,923,401	$ 6,923,401	$ 6,590,034
City of Rahway	5,212,681	5,212,681	4,783,639
Town of Westfield	4,376,815	4,376,815	4,384,897
Township of Cranford	2,724,779	2,724,779	2,251,522
Township of Springfield	2,683,000	2,683,000	2,570,686
Township of Clark	2,410,335	2,410,335	2,196,136
Township of Scotch Plains	1,375,796	1,375,796	1,333,344
Borough of Kenilworth	1,287,149	1,287,149	1,316,375
Borough of Mountainside	883,670	883,670	919,136
Borough of Garwood	747,084	747,084	684,025
Borough of Roselle Park	424,265	424,265	396,706
Total Member Assessments	$ 29,048,975	$ 29,048,975	$ 27,426,500
Other Operating Income:			
Discharge Fees	$ 335,000	$ 958,070	$ 1,020,168
Food Waste Fees	190,000	149,882	170,476
Permit Fees	245,000	237,959	235,520
Sewer Connection Fees	16,000	18,450	15,100
Grants	-	-	208,616
Claim Settlement	234,000	234,000	234,000
Other Income, Net	-	31,468	-
Total Other Operating Income	$ 1,020,000	$ 1,629,829	$ 1,883,880
Interest on Investments - Operating Fund	$ 10,000	$ 30,334	$ 26,558
TOTAL REVENUES	$ 30,078,975	$ 30,709,138	$ 29,336,938

SCHEDULE 4
SHEET #2

RAHWAY VALLEY SEWERAGE AUTHORITY

SCHEDULE OF OPERATING REVENUES AND COSTS FUNDED BY OPERATING REVENUES COMPARED TO REVISED BUDGET FOR THE YEARS ENDED DECEMBER 31, 2022 AND 2021

	2022 BUDGET	2022 ACTUAL	2021 ACTUAL
Expenses:			
Costs of Providing Services:			
Labor	$ 3,250,000	$ 3,273,809	$ 3,107,513
Supervision	800,000	834,256	797,750
Fringe Benefits	1,747,800	1,763,229	1,658,465
Utilities	1,835,000	1,922,274	1,767,684
Residual Disposal	570,000	306,582	316,596
Maintenance	1,796,000	1,992,290	1,774,184
Compliance Monitoring	359,500	285,456	425,611
Chemicals and Fuels	680,000	770,326	602,585
Permit Fees	155,000	188,667	151,054
Other	286,000	244,013	271,127
Total Costs of Providing Services	$ 11,479,300	$ 11,580,902	$ 10,872,569
General and Administrative Expenses:			
Salaries and Wages	$ 1,700,000	$ 1,531,473	$ 1,615,055
Fringe Benefits	997,800	1,013,179	924,310
Professional Services	689,000	611,651	745,398
General Insurance	285,000	292,214	230,722
Information Technology	130,000	145,102	117,538
Other	188,000	144,286	133,166
Total General and Administrative Expenses	$ 3,989,800	$ 3,737,905	$ 3,766,189
Other Costs Funded by Revenues:			
Debt Service Payment Requirements	$ 13,575,600	$ 13,262,261	$ 13,142,709
Capital Replacement Fund Appropriation	1,700,000	1,700,000	1,800,000
Rate Stabilization Fund	-	-	50,000
Operating Reserve Compliance Requirement	84,275	84,275	113,500
Total Other Costs	$ 15,359,875	$ 15,046,536	$ 15,106,209
TOTAL COSTS	$ 30,828,975	$ 30,365,343	$ 29,744,967
Unreserved Retained Earnings Utilized	(750,000)	(750,000)	(1,260,000)
Net Total Appropriations	30,078,975	29,615,343	28,484,967
EXCESS OF REVENUES OVER COSTS	$ -	$ 1,093,795	$ 851,971

RAHWAY VALLEY SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Measurement Date Ending June 30,	Authority's Proportion of the Net Pension Liability (Asset)	Authority's Proportionate Share of the Net Pension Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportion of the Net Pension Liability (Asset) as a percentage of it's Covered-Employee Payroll	Plan Fiduciary Net Position as a percentage of the total Pension Liability
2013	0.0532509458%	$ 10,177,314	$ 3,685,013	276.18%	48.72%
2014	0.0533141302%	9,981,863	3,701,026	269.71%	52.08%
2015	0.0530453797%	11,907,625	3,812,625	312.32%	47.92%
2016	0.0547099070%	16,203,505	3,956,545	409.54%	40.13%
2017	0.0574747310%	13,379,199	4,165,545	321.19%	48.10%
2018	0.0603872500%	11,889,949	4,247,984	279.90%	53.60%
2019	0.0598450444%	10,783,169	4,122,659	261.56%	56.27%
2020	0.0571180812%	9,314,465	4,529,516	205.64%	58.32%
2021	0.0611031582%	7,238,585	4,627,375	156.43%	42.18%
2022	0.0613869564%	9,264,137	4,839,411	191.43%	62.91%

Note: Schedule is intended to show ten-year trend. Additional years will be reported as they become available.

RAHWAY VALLEY SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT SYSTEM
LAST TEN YEARS

Year Ending December 31,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Authority's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2013	$ 401,235	$ 401,235	$ -0-	$ 3,724,815	$ 10.77%
2014	439,514	439,514	-0-	3,840,814	11.44%
2015	456,048	456,048	-0-	4,046,905	11.27%
2016	486,035	486,035	-0-	4,186,024	11.61%
2017	532,442	532,442	-0-	4,165,545	12.78%
2018	548,358	548,358	-0-	4,247,984	12.91%
2019	582,116	582,116	-0-	4,122,659	14.12%
2020	584,583	584,583	-0-	4,529,516	12.91%
2021	624,844	624,844	-0-	4,627,375	13.50%
2022	715,589	715,589	-0-	4,839,411	14.79%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE "R-3"

RAHWAY VALLEY SEWERAGE AUTHORITY
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR PENSION (GASB 68)
NOTE TO RSI III
FOR THE YEAR ENDED DECEMBER 31, 2022

PUBLIC EMPLOYEES RETIREMENT SYSTEM (PERS)

Change in benefit terms

None

Change in assumptions

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.

SCHEDULE "S-1"

RAHWAY VALLEY SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE OPEB LIABILITY
STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
LAST TEN YEARS

Measurement Date Ending June 30,	Authority's Proportion of the Net OPEB Liability (Asset)	Authority's Proportionate Share of the Net OPEB Liability (Asset)	Authority's Covered-Employee Payroll	Authority's Proportion of the Net OPEB Liability (Asset) as a Percentage of it's Covered-Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability
2017	0.077204%	$ 15,761,806	$ 4,165,545	378.39%	1.03%
2018	0.082075%	12,858,377	4,247,984	302.69%	1.97%
2019	0.075113%	10,174,860	4,122,659	246.80%	1.98%
2020	0.084453%	15,156,453	4,529,516	334.62%	0.91%
2021	0.082427%	14,836,680	4,627,375	320.63%	0.28%
2022	0.083761%	13,527,063	4,839,411	279.52%	-0.36%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

SCHEDULE "S-2"

RAHWAY VALLEY SEWERAGE AUTHORITY
SCHEDULE OF THE AUTHORITY'S CONTRIBUTIONS
STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN
LAST TEN YEARS

Year Ending December 31,	Contractually Required Contribution	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Authority's Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2017	$ 355,430	$ 355,430	-0-	$ 4,165,545	8.53%
2018	383,645	383,645	-0-	4,247,984	9.03%
2019	584,583	584,583	-0-	4,122,659	14.18%
2020	338,374	338,374	-0-	4,529,516	7.47%
2021	299,107	299,107	-0-	4,627,375	6.46%
2022	364,597	364,597	-0-	4,839,411	7.53%

Note: Schedule is intended to show ten year trend. Additional years will be reported as they become available.

RAHWAY VALLEY SEWERAGE AUTHORITY
SCHEDULES RELATED TO ACCOUNTING AND REPORTING FOR OPEB (GASB 75)
NOTE TO RSI III
FOR THE YEAR ENDED DECEMBER 31, 2022

STATE HEALTH BENEFITS LOCAL GOVERNMENT RETIREMENT EMPLOYEES PLAN

Change in benefit terms

None

Change in assumptions

The discount rate changed from 2.16% to 3.50% as of June 30, 2022.

RAHWAY VALLEY SEWERAGE AUTHORITY

DECEMBER 31, 2022

ROSTER OF OFFICIALS

Name	Title
Robert M. Beiner	Chairman
John J. Tomaine	Vice Chairman
Michael Furci	Commissioner
Michael J. Gelin	Commissioner
Edward Gottko	Commissioner
Stephen D. Greet	Commissioner
Loren Harms	Commissioner
Christopher Kolibas	Commissioner
Frank G. Mazzarella	Commissioner
Robert I. Rachlin	Commissioner
Raymond Szpond	Commissioner
James J. Meehan	Executive Director
Karen A. Musialowicz	Secretary/Treasurer
Dennis A. Estis, Esq. Greenbaum, Rowe, Smith & Davis, LLP	General Counsel
Howard Matteson, P.E. CDM Smith, Inc.	Consulting Engineer

RAHWAY VALLEY SEWERAGE AUTHORITY

DECEMBER 31, 2022

GENERAL COMMENTS AND RECOMMENDATIONS

NONE

SINGLE AUDIT SECTION

SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF BASIC FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

The Board of Commissioners
Rahway Valley Sewerage Authority
Rahway, New Jersey 07065

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, the financial statements of the Rahway Valley Sewerage Authority as of and for the years ended December 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise Rahway Valley Sewerage Authority's financial statements, and have issued our report thereon dated October 18, 2023.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Rahway Valley Sewerage 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 statement. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards.*

Purpose of This Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

October 18, 2023

Suplee, Clooney & Company

SUPLEE, CLOONEY & COMPANY
CERTIFIED PUBLIC ACCOUNTANTS
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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL FINANCIAL ASSISTANCE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE

The Board of Commissioners
Rahway Valley Sewerage Authority
Rahway, New Jersey 07065

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited Rahway Valley Sewerage Authority's compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Rahway Valley Sewerage Authority's major federal programs for the year ended December 31, 2022. Rahway Valley Sewerage Authority's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the Rahway Valley Sewerage Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended December 31, 2022.

Basis for Opinion on Each Major Federal Program

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United Federals of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United Federals; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

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

Responsibilities of Management for Compliance

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

Auditor's Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, Uniform Guidance:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding Rahway Valley Sewerage Authority's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.

- Obtain an understanding of Rahway Valley Sewerage Authority's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Rahway Valley Sewerage Authority's internal control over compliance. Accordingly, no such opinion is expressed.

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

SUPLEE, CLOONEY & COMPANY

Report on Internal Control Over Compliance

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

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

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

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

October 18, 2023

RAHWAY VALLEY SEWERAGE AUTHORITY

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2022

FEDERAL GRANTOR/PROGRAM TITLE		GRANT PERIOD	PROJECT NUMBER	GRANT AWARD AMOUNT	2022 EXPENDITURES	TOTAL AMOUNT RECEIVED
Direct Programs						
Federal Emergency Management Agency (FEMA)	Damage #1201039	2022	4614DR-NJ	1,743,621	1,128,618	1,128,618
				$ 1,743,621	$ 1,128,618	$ 1,128,618

RAHWAY VALLEY SEWERAGE AUTHORITY

NOTES TO THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED DECEMBER 31, 2022

NOTE 1: GENERAL

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards programs of Rahway Valley Sewerage Authority (Authority). The Authority is defined in the Notes to the Authority's basic financial statements. All federal financial awards received directly from federal agencies, as well as federal financial awards passed through other governmental agencies, is included on the Schedule of Expenditures of Federal Awards.

NOTE 2: BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting.

NOTE 3: RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Amounts reported in the accompanying schedule agree with amounts reported in the Authority's basic financial statements. In addition, the Authority has not elected to use the de minimus cost rate as covered in 2 CFR 200.414 (F&AS) costs.

NOTE 4: RELATIONSHIP TO FEDERAL FINANCIAL REPORTS

Amounts reported in the accompanying schedule agree with the amounts reported in the related federal financial reports.

NOTE 5: OTHER

Matching contributions expended by the Rahway Valley Sewerage Authority in accordance with terms of the various grants are not reported in the accompanying schedules.

RAHWAY VALLEY SEWERAGE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section I - Summary of Auditor's Results

Financial Statements

(1) Type of Auditor's Report Issued:	Unmodified
(2) Internal Control Over Financial Reporting:	
(a) Material weaknesses identified?	No
(b) Significant deficiencies identified that are not considered to be material weaknesses?	No
(3) Noncompliance material to the basic financial statements noted?	No

Federal Program(s)

(1) Internal Control Over Major Federal Programs:	
(a) Material weaknesses identified?	No
(b) Significant deficiencies identified that are not considered to be material weaknesses?	No
(2) Type of Auditor's Report issued on compliance for major federal program(s)?	Unmodified
(3) Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No

(4) Identification of Major Federal Program(s):

Program	Amounts Expended
Federal Emergency Management Corp	$1,128,618

(5) Program Threshold Determination:
Type A Federal Program Threshold ≥ $750,000.00
Type B Federal Program Threshold ≥ $187,500.00 < $750,000.00

(6) Auditee qualified as a low-risk auditee under OMB Uniform Guidance? No

RAHWAY VALLEY SEWERAGE AUTHORITY

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2022

Section II - Financial Statement Audit - Reported Findings Under Government Auditing Standards

Internal Control Findings

None Reported

Compliance Findings

None Reported

Section III - Findings and Questioned Costs Relative to Major Federal Programs

Federal Programs - None Reported

RAHWAY VALLEY SEWERAGE AUTHORITY

SCHEDULE OF PRIOR AUDIT FINDINGS
FOR THE YEAR ENDED DECEMBER 31, 2022

Federal Programs - None Reported