

TWO RIVERS WATER RECLAMATION AUTHORITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED OCTOBER 31, 2020 AND 2019

**TWO RIVERS WATER RECLAMATION AUTHORITY
YEARS ENDED OCTOBER 31, 2020 AND 2019**

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INDEPENDENT AUDITORS' REPORT

**Management and Commissioners of
Two Rivers Water Reclamation Authority
Monmouth Beach, New Jersey**

Report on the Financial Statements

We have audited the accompanying basic financial statements of the business-type activities of the Two Rivers Water Reclamation Authority (the "Authority"), as of and for the year ended October 31, 2020, and the related notes to the financial statements which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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Monmouth Beach, New Jersey**
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We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the financial position of the business-type activities of the Authority as of October 31, 2020 and 2019, and the respective changes in its financial position, and cash flows, thereof, for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior Period Financial Statements

The financial statements of the Authority as of October 31, 2019, were audited by other auditors whose report dated July 9, 2020, expressed an unmodified opinion on those statements in accordance with accounting principles generally accepted in the United States of America. In our opinion, the summarized comparative information presented herein as of and for the year ended October 31, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that management's discussion and analysis, the schedule of the Authority's proportionate share of the net pension liability – PERS, schedule of the Authority's pension contributions – PERS, schedule of the Authority's net OPEB liability – State Health Benefits Local Government Retired Employees Plan and schedule of the Authority's OPEB contributions – State Health Benefits Local Government Retired Employees Plan, as identified in the table of contents be presented to supplement the basic financial statements. Such information, 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.

Other Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary financial information, such as the schedule of cash receipts, cash disbursements and changes in cash and cash equivalents – unrestricted accounts, schedule of cash receipts, cash disbursements and changes in cash, cash equivalents and investments – restricted accounts, comparative schedule of operating revenues and expenses compared to budget, schedule of long-term revenue bonds

**Management and Commissioners of
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Monmouth Beach, New Jersey**
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payable and analysis of capital projects, and the other information, such as the roster of officials, insurance coverage, project activity schedule, and the general comments and recommendations are presented for purposes of additional analysis and are also not a required part of the basic financial statements. The accompanying schedule of expenditures of state financial assistance, as required by New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid* is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

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

The roster of officials, insurance coverage, project activity schedule, and the general comments and recommendations sections of the report have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated February 18, 2022, on our consideration of the Authority's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

Cranford, New Jersey
February 18, 2022

Required Supplementary Information – Part I

Management's Discussion and Analysis

TWO RIVERS WATER RECLAMATION AUTHORITY

MANAGEMENT'S DISCUSSION AND ANALYSIS (Required Supplementary Information)

This section presents management's discussion and analysis of the Authority's financial condition and activities for the years ended October 31, 2020 and 2019.

This information should be read in conjunction with the basic financial statements and accompanying notes to the basic financial statements, which immediately follow this section.

Management's Discussion and Analysis (MD&A) is Required Supplementary Information specified in the Governmental Accounting Standards Board's (GASB) Statement No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*. Certain comparative information between the current fiscal year and the prior two fiscal years are presented in the MD&A as required by GASB Statement No. 34.

Discussion of Financial Statements Included in Annual Audit

The Authority prepares and presents its financial statements on several different bases, because of accounting requirements and for internal use purposes.

The first set of statements which consist of the Comparative Statement of Net Position, the Comparative Statement of Revenues, Expenses and Changes in Net Position, and the Comparative Statement of Cash Flows are prepared on the accrual basis in accordance with accounting principles generally accepted in the United States of America (GAAP). These statements are the official basic financial statements of the Two Rivers Water Reclamation Authority.

After the first set of statements and the "Notes to the Basic Financial Statements" that follow is the second set of schedules. These schedules are considered "Supplementary Information."

The Authority has historically presented its financial statements on a "GAAP Basis," and continues to do so because it relates more fairly to the annual budget for the same period.

Contained in the supplementary information are schedules that report the Comparative Schedule of Operating Revenues and Expenses Compared to Budget (Schedule VII). This schedule compares the "Budget" revenues and expenses to "Actual" revenues and expenses. Principal and interest are reported in this statement as debt service expense, and depreciation is not reported as an expense. On the "GAAP" based statements, depreciation expense is included, and only the interest expense component of the debt service expense is reported.

The Budget to Actual schedule is a very important schedule to the Authority management staff, because it is how we measure our financial performance, particularly as it compares to the approved and adopted annual budget and how it relates to the operational performance.

Other Supplementary information or schedules incorporated within the annual audit report are the Schedules of Cash Receipts, Cash Disbursements and Changes in Cash, Cash Equivalents and Investments – Restricted and Unrestricted, the Schedule of Long-Term Revenue Bonds Payable, and the Analysis of Capital Projects.

For the purpose of the Management Discussion and Analysis, the ensuing discussion will review the financial statements of the Two Rivers Water Reclamation Authority, those prepared on an accrual basis and in accordance with accounting principles generally accepted in the United States of America (GAAP) applicable to proprietary funds of state and local governments. This is the first set of statements included in the annual audit report.

Financial Condition

The Authority’s financial condition remained strong at year end, as depicted by the financial data which follows.

Comparative Statement of Net Position

The Authority’s total assets and deferred outflows of resources increased by \$3,432,901 due to increases in customer charges and other receivables, net capital assets and deferred outflows of resources. Total liabilities and deferred inflows of resources increased by \$802,111 due mainly to an increase in the net OPEB liability. Assets and deferred outflows exceeded liabilities and deferred inflows by \$64,551,798. This compares to 2019 where assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$61,921,008.

The Authority’s Net Position of \$64,551,798 is comprised of the following:

Net investment in capital assets of \$64,214,633, as shown below, includes land, construction in progress and property, plant and equipment, net of accumulated depreciation, and net of long-term debt related to the purchase or construction of capital assets. Net investment in capital assets increased by \$1,771,769 from the prior year.

Capital Assets - Net	\$ 70,056,751
Less:	
Construction Loan	(2,885,199)
Revenue Bonds Payable, Net of Unamortized Premium	<u>(2,956,919)</u>
Net Investment in Capital Assets	<u><u>\$ 64,214,633</u></u>

Net position of \$1,500,000 is restricted for the purpose of Renewal and Replacement.

Net position of \$190,000 is restricted for a Shrewsbury River Dredging Project.

Net position of \$100,000 is restricted for debt service reserve related to the 2016 revenue bonds.

Net position of \$400,000 is unrestricted - designated for future collection system improvements.

Net position of \$3,000,000 is unrestricted - designated for rate stabilization.

Unrestricted, undesignated net position (deficit) of \$(4,852,835) represents the portion available to maintain the Authority’s continuing obligations to the contractual customers of its service area, its creditors and for its current liabilities.

Unrestricted undesignated net position increased by \$859,021 mainly due to the change in net position, of \$2,630,790 offset by the increase in the net investment in capital assets of \$1,771,769.

	2020	2019	2018	Increase (Decrease) 2019 to 2020	Increase (Decrease) 2018 to 2019
Total current assets	\$ 7,201,033	\$ 5,686,054	\$ 6,477,051	26.64%	-12.21%
Total restricted assets	15,984,915	16,582,348	16,153,480	-3.60%	2.65%
Capital assets, net	70,056,751	68,886,971	69,473,557	1.70%	-0.84%
Deferred outflows of resources	3,077,003	1,731,428	2,276,481	77.71%	-23.94%
Total Assets and Deferred Outflows of Resources	<u>\$ 96,319,702</u>	<u>\$ 92,886,801</u>	<u>\$ 94,380,569</u>	3.70%	-1.58%
Total current liabilities payable from unrestricted assets	\$ 3,097,996	\$ 2,587,337	\$ 2,225,809	19.74%	16.24%
Total current liabilities payable from restricted assets	3,266,786	3,640,581	3,627,888	-10.27%	0.35%
Unemployment claims reserve	64,055	64,055	82,151	0.00%	-22.03%
Compensated absences payable	353,751	334,288	360,492	5.82%	-7.27%
Net pension liability	6,526,116	7,249,792	7,680,727	-9.98%	-5.61%
Net OPEB liability	8,267,107	5,935,347	7,261,164	39.29%	-18.26%
Long term obligations, net	2,723,140	2,957,925	6,444,108	-7.94%	-54.10%
Deferred inflows of resources	7,468,953	8,196,468	7,459,193	-8.88%	9.88%
Total Liabilities and Deferred Inflows of Resources	<u>\$ 31,767,904</u>	<u>\$ 30,965,793</u>	<u>\$ 35,141,532</u>	2.59%	-11.88%
Total Net Position	<u>\$ 64,551,798</u>	<u>\$ 61,921,008</u>	<u>\$ 59,239,037</u>	4.25%	4.53%

Total current assets have increased mainly because of the large increases in sewer billings receivable.

Total restricted assets have decreased because of the decreases in cash and cash equivalents and investments.

Capital assets, net increased because capital asset acquisitions exceeded depreciation expense.

Total current liabilities payable from unrestricted assets have increased because of an increase in accounts payable and accrued expenses.

Total current liabilities payable from restricted assets have decreased from paying current portion of revenue bonds.

Long-term bonds payable decreased due to the repayment of revenue bond principal.

The net pension liability and related deferred outflows of resources decreased and deferred inflows of resources decreased due to the requirements of GASB Statement Nos. 68 and 71.

The net OPEB liability increased and related deferred outflows increased due to the requirements of GASB Statement No. 75.

Comparative Condensed Statements of Revenues, Expenses and Changes in Net Position

Operating revenues from customer municipalities decreased by \$146,293 or 2.10% while operating revenues from participating municipalities decreased by \$70,429 or 1.15%. Total operating revenues decreased by \$216,722 or 1.65% from 2019 levels.

Total operating expenses were higher in 2020 than 2019, mainly due to increases in administration and general expenses. Total operating revenues less total operating expenses produced operating income of \$1,460,622, which is less than 2019 operating income of \$1,823,087.

Total Net Position increased over the last three years as depicted below.

	2020	2019	2018	Increase (Decrease) 2019 to 2020	Increase (Decrease) 2018 to 2019
Total operating revenues	\$ 12,905,274	\$ 13,121,996	\$ 13,157,573	-1.65%	-0.27%
Operating expenses	8,181,480	8,156,185	8,773,755	0.31%	-7.04%
Depreciation	3,263,172	3,142,724	3,098,264	3.83%	1.43%
Total operating expenses	<u>11,444,652</u>	<u>11,298,909</u>	<u>11,872,019</u>	1.29%	-4.83%
Operating income	1,460,622	1,823,087	1,285,554	-19.88%	41.81%
Nonoperating revenues (expenses), net	<u>1,170,168</u>	<u>858,884</u>	<u>1,110,936</u>	36.24%	-22.69%
Change in Net Position	2,630,790	2,681,971	2,396,490	-1.91%	11.91%
Total net position - beginning	<u>61,921,008</u>	<u>59,239,037</u>	<u>56,842,547</u>	4.53%	4.22%
Total net position - ending	<u>\$ 64,551,798</u>	<u>\$ 61,921,008</u>	<u>\$ 59,239,037</u>	4.25%	4.53%

Comparative Statements of Cash Flows

The net increase in cash and cash equivalents was \$2,340,957 in 2020. This compares to a net decrease in cash and cash equivalents in 2019 of \$1,605,972. The main reason for the 2020 increase was the redemptions of investments securities exceeding purchases by \$6,093,698 offset by purchases of capital assets and repayment of revenue bonds payable.

Debt Administration

As of October 31, 2020, the Authority had \$17,870,114 of long-term liabilities. Of this amount, \$353,751 is for compensated absences, \$2,956,919 is for revenue bonds payable, \$46,918, which represents an unamortized bond premium, \$8,267,107, is for the net OPEB liability and \$6,526,116 relates to the net pension liability. As of October 31, 2019, the Authority had \$19,963,534 of long-term liabilities.

It is the current policy of the Two Rivers Water Reclamation Authority Board Members, Executive Director, and senior staff, that funding for capital improvements, additions or replacements, is to be accomplished using one or more of the following methods:

- Borrowings from the New Jersey Infrastructure Bank for qualified projects.
- Traditional revenue bond issuance.
- Funding incrementally or annually from annual operating budget.

Refunding of existing public debt is routinely reviewed, analyzed and recommended when appropriate. The Authority has defeased various bond issues and achieved significant debt service savings. Early redemptions of bonds outstanding have occurred in previous years. There were no Revenue Bonds issued this year. A temporary construction loan from the New Jersey Infrastructure Bank was issued to the Authority in 2020 to fund the construction of a new main pump station. See Note 4 to the basic financial statements for additional information.

Capital Assets

As of October 31, 2020 and 2019, the Authority had \$70,056,751 and \$68,886,971, respectively, invested in land, construction in progress, buildings and improvements, other improvements, sewer mains and interceptors, pump stations, other equipment and vehicles, net of accumulated depreciation. The increase in net capital assets is due to the current year's depreciation being less than capital assets additions. See Note 3 to the basic financial statements for additional information.

Core Competencies

The Authority provides wastewater conveyance and treatment services under contracts with participant municipalities and six customer municipalities.

The System consists of a wastewater treatment plant, a wastewater collection system of approximately 230 miles of gravity interceptor and force mains, 19 pumping stations and an ocean outfall line discharging into the Atlantic Ocean through a diffuser system.

The wastewater treatment plant provides primary and secondary wastewater treatment and is situated on about 25 acres located on Raccoon Island in Monmouth Beach, NJ.

The treatment plant has a designed capacity of 13.83 million gallons per day. The plant is designed to serve the projected treatment needs of the service area based on current zoning ordinances.

The Two Rivers Water Reclamation Authority owns and operates the regional piping and pumping systems that receive, meter, and transport the municipal wastewater to the Authority's Regional Plant on Raccoon Island for treatment and discharge. It also owns and operates the collection system in the six participant communities.

The user fees charged to the users of the system of the six participating municipalities, Monmouth Park and the former Fort Monmouth area are major sources of revenue for the Authority as are the revenues from the Customer Municipalities' charges paid by the six customer communities. These revenues are shown on the Comparative Statement of Revenues, Expenses and Changes in Fund Net Position as "Customer Municipalities – Annual Charges and Participating Municipalities – Service Charges" and both are reported as operating revenue.

Budget Variations

There were no adjustments made during the year to the adopted 2020 budget. Significant variations between final budgeted amounts and actual expenses occurred in the following budgetary line items: Treatment Plant – Salaries and Wages, where expenses were higher than budgeted, Treatment Plant – Employee Benefits, where premium rate increases came in less than budgeted, Treatment Plant – Electricity, where expenses were less than budgeted due to conservation, Treatment Plant – Equipment Replacement where expected equipment replacements were not necessary, Treatment Plant – Sludge Removal where expenses were less than budgeted due to process changes, and Lines and System Pumping Station – Salaries and Wages, where actual expenses were less than budgeted, Lines and System Pumping Station – Employee Benefits, where premium rate increases came in less than budgeted, Lines and System Pumping Station – Maintenance of Lines, where unforeseen line maintenance exceeding expected costs and Lines and System Pumping Station – Equipment Repair – where unforeseen repair exceeded expected costs.

The Chairman's Outlook for the Future

“Our mission for the Two Rivers Water Reclamation Authority is to provide the ultimate wastewater collection and water reclamation system. Always responsive to the customers’ needs and the growing community, in compliance with the applicable laws, rules and regulations, Two Rivers Water Reclamation Authority will continue to set and exceed the standards for the protection of the environment, while operating the most efficient system and maintaining a cost effective budget.”

As the mission reads, this is who and what the Authority is accountable to. The Authority’s accountability, first and foremost, is to protect the environment. The goal is to provide a cost effective and reliable service, and at the same time to protect the environment. This means the Authority is accountable to its customers, the agencies and people served using the same principals: cost effective, efficient, reliable and protective. This is what the employees of the Authority strive for each and every day. And each and every day, the Authority is accountable to its employees.

As an environmental utility, the Authority is also guided by or accountable to state government and the applicable rules and regulations that govern the Two Rivers Water Reclamation Authority. More specifically, the Authority is accountable to the Department of Community Affairs, Division of Local Government Services and the Department of Environmental Protection.

As an environmental utility, the Authority is accountable to the U.S Environmental Protection Agency.

The Authority is also accountable to the governing body of the Authority, the Two Rivers Water Reclamation Authority Board of Directors, and as such, accountable to certain government officials.

Governing Body

The governing body of the Authority consists of a 12 member board that is appointed for five-year terms by the participant communities they represent. Currently, they are:

Barry J. Berdahl, Ph. D., Chairman
Thomas B. Barham, Vice Chairman
Michael A. MacStudy, Treasurer
Scott Hartman, Secretary
Richard N. Tocci, Assistant Treasurer
Jonathan Peters, Assistant Secretary
John Bonforte, Member
Gregory J. Christopher, Member
Eric R. Jaeger, Member
Jason N. Sena, Member
Brian McPeak, Member
James Mazza, Member

Management of the Authority

The Executive Director of the Two Rivers Water Reclamation Authority, Michael A. Gianforte, manages the daily operations of the Authority. He oversees a staff of 35 and a 2020 budget of \$14.06 million. Senior staff is charged with the management of the operations and financial affairs of the Authority. The Executive Director and senior staff are as follows:

Michael A. Gianforte, Executive Director
Johnny Rodriguez, Jr., Financial Manager
Dennis J. Galvin, Engineering Manager

Independent Auditors

The Independent audit firm is PKF O'Connor Davies, Cranford, New Jersey.

Financial Information

Prior audits and budgets can be obtained by contacting the Two Rivers Water Reclamation Authority or by visiting the Authority's website at www.trwra.org.

Basic Financial Section

**TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF NET POSITION
OCTOBER 31, 2020 AND 2019**

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2020	2019
CURRENT ASSETS		
Cash	\$ 4,484,117	\$ 4,712,777
Inventory	12,092	16,684
Sewer Billings Receivable	2,097,142	955,644
Other Accounts Receivable	82,435	949
Intergovernmental Accounts Receivable - Federal	525,247	-
Total Current Assets	7,201,033	5,686,054
RESTRICTED ASSETS		
Revenue fund - Unemployment cash and cash equivalents	98,418	98,418
Escrow deposits: Cash and cash equivalents	165,287	148,404
Bond service account: Cash and cash equivalents	33,754	230
Bond reserve account: Cash and cash equivalents	100,003	100,003
General account: Cash and cash equivalents	4,971,399	2,330,673
General account: Investments	6,052,124	12,145,823
General account: Accrued Interest Receivable	49,082	7,632
Construction account: Cash and cash equivalents	128,276	452,356
Construction account: NJIB Drawdown Receivable	2,885,199	-
Renewal and replacement account: Cash and cash equivalents	1,501,373	1,298,809
Total Restricted Assets	15,984,915	16,582,348
NONCURRENT ASSETS		
Capital Assets - Non-depreciable	6,595,872	3,408,355
Capital Assets - Net of depreciation	63,460,879	65,478,616
Total Noncurrent Assets	70,056,751	68,886,971
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	1,179,768	1,726,539
OPEB deferrals	1,897,235	4,889
Total Deferred Outflows of Resources	3,077,003	1,731,428
Total Assets and Deferred Outflows of Resources	\$ 96,319,702	\$ 92,886,801

See accompanying notes to financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF NET POSITION
OCTOBER 31, 2020 AND 2019

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2020	2019
CURRENT LIABILITIES		
Accounts Payable	\$ 1,627,147	\$ 1,313,374
Accrued Expenses	420,832	225,038
Customer Overpayments	66,366	55,421
Unearned Revenue	983,651	993,504
Total Current Liabilities payable from Unrestricted Assets	3,097,996	2,587,337
Reserve for Developers' Deposits	121,888	105,156
Accrued Interest on Bonds Payable	25,920	49,243
NJIB Temporary Construction Loan	2,885,199	-
Revenue Bonds Payable - Current Portion	233,779	3,486,182
Total Current Liabilities payable from Restricted Assets	3,266,786	3,640,581
NONCURRENT LIABILITIES		
Net Pension Liability	6,526,116	7,249,792
Net OPEB Liability	8,267,107	5,935,347
Long-term Revenue Bonds Payable, net	2,723,140	2,957,925
Unemployment Claims Reserve	64,055	64,055
Compensated Absences Payable	353,751	334,288
Total Noncurrent Liabilities	17,934,169	16,541,407
Total Liabilities	24,298,951	22,769,325
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	2,840,355	2,835,594
OPEB deferrals	4,628,598	5,360,874
Total Deferred Inflows of Resources	7,468,953	8,196,468
NET POSITION		
Net Investment in Capital Assets	64,214,633	62,442,864
Restricted for:		
Debt Service	100,000	100,000
Renewal and Replacement	1,500,000	1,500,000
Dredging Project - Shrewsbury River	190,000	190,000
Unrestricted:		
Designated for:		
Collection System Improvements	400,000	400,000
Rate Stabilization	3,000,000	3,000,000
Undesignated (Deficit)	(4,852,835)	(5,711,856)
Total Net Position	64,551,798	61,921,008
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 96,319,702	\$ 92,886,801

See accompanying notes to financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED OCTOBER 31, 2020 AND 2019

	<u>2020</u>	<u>2019</u>
OPERATING REVENUES		
Customer Municipalities - Annual Charges	\$ 6,830,981	\$ 6,977,274
Participating Municipalities - Service Charges	<u>6,074,293</u>	<u>6,144,722</u>
Total Operating Revenues	12,905,274	13,121,996
OPERATING EXPENSES		
Administration and General	1,930,328	1,512,123
Treatment Plant and Main Pumping Station	5,245,748	5,510,389
Lines and System Pumping Stations	1,005,404	1,117,622
Depreciation	3,263,172	3,142,724
Renewal and Replacement	-	16,051
Total Operating Expenses	<u>11,444,652</u>	<u>11,298,909</u>
NET OPERATING INCOME	1,460,622	1,823,087
NONOPERATING REVENUES/(EXPENSES)		
Interest on Bonds	(153,946)	(199,489)
Interest Income	243,903	494,327
Federal Emergency Management Agency	525,246	-
Connection Fees	112,700	487,100
Miscellaneous Income	<u>442,265</u>	<u>76,946</u>
Total Nonoperating Revenues/(Expenditures)	1,170,168	858,884
CHANGES IN NET POSITION	2,630,790	2,681,971
Net Position - Beginning of Year	<u>61,921,008</u>	<u>59,239,037</u>
NET POSITION - END OF YEAR	<u>\$ 64,551,798</u>	<u>\$ 61,921,008</u>

See accompanying notes to financial statements.

**TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2020 AND 2019**

	<u>2020</u>	<u>2019</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Members and Customers	\$ 11,686,882	\$ 13,432,959
Payments to Employees	(4,610,563)	(3,397,782)
Payments to Suppliers	<u>(3,505,801)</u>	<u>(4,962,029)</u>
Net Cash Provided by Operating Activities	<u>3,570,518</u>	<u>5,073,148</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(4,432,952)	(2,556,138)
Federal Emergency Management Agency - Hurricane Sandy	-	324,098
Repayment of Revenue Bonds Payable	(3,481,400)	(3,426,938)
Receipt of Intergovernmental Accounts Receivable	-	38,182
Developer's Escrow Funds Received/(Returned)	16,732	(14,846)
Net Cash Used by Capital and Related Financing Activities	<u>(7,897,620)</u>	<u>(5,635,642)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	202,453	496,781
Interest Paid of Revenue Bonds	(183,057)	(229,733)
(Purchase) of Investment Securities	(9,670,365)	(12,145,823)
Redemption of Investment Securities	15,764,063	10,257,090
Net Cash Provided/(Used) by Investing Activities	<u>6,113,094</u>	<u>(1,621,685)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Connection Fees	112,700	487,100
Miscellaneous Income	442,265	91,107
Net Cash Provided by Noncapital Financing Activities	<u>554,965</u>	<u>578,207</u>
NET INCREASE (DECREASE) IN CASH	2,340,957	(1,605,972)
Cash - Beginning of Year	<u>9,141,670</u>	<u>10,747,642</u>
CASH - END OF YEAR	<u>\$ 11,482,627</u>	<u>\$ 9,141,670</u>

**TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2020 AND 2019**

	2020	2019
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income	\$ 1,460,622	\$ 1,823,087
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,263,172	3,142,724
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:		
(Increase)/Decrease in Receivables and Other Assets - Unrestricted	(1,218,392)	257,313
Increase in Current Liabilities - Payable from Unrestricted Assets	419,674	322,652
Increase/(Decrease) in Other Liabilities and Deferrals:		
Other Liabilities	20,555	(26,204)
Accounts Payable - Pension	89,893	28,000
Net Pension Liability	(723,676)	(430,935)
Net OPEB Liability	2,331,760	(1,325,817)
Deferred Outflow - Pension Deferrals	546,771	546,105
Deferred Outflow - OPEB Deferrals	(1,892,346)	(1,052)
Deferred Inflow - Pension Deferrals	4,761	(92,113)
Deferred Inflow - OPEB Deferrals	(732,276)	829,388
Net Cash Provided by Operating Activities	\$ 3,570,518	\$ 5,073,148
RECONCILIATION TO STATEMENT OF NET POSITION:		
Unrestricted Cash and Cash Equivalents	\$ 4,484,117	\$ 4,712,777
Restricted Cash and Cash Equivalents	6,998,510	4,428,893
	\$ 11,482,627	\$ 9,141,670

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

1. Summary of Significant Accounting Policies

The financial statements of the Board of Commissioners ("Board") of the Two Rivers Water Reclamation Authority ("Authority") have been prepared in conformity with accounting principles generally accepted in the United States of America ("GAAP") as applied to local governments. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Authority's accounting policies are described below.

A. Reporting Entity:

The Two Rivers Water Reclamation Authority in Monmouth County, New Jersey is a public body politic and corporate of the State of New Jersey, created by virtue of ordinances of the Boroughs of Fair Haven, Little Silver, Monmouth Beach, Oceanport, Shrewsbury and West Long Branch (collectively, the "Member Towns") on October 1, 1965, pursuant to the Sewerage Authority Law of the State of New Jersey (P.L. 1946, Chapter 138 as amended and supplemented). The Authority functions independently through a Board of Commissioners. The Board is comprised of twelve members appointed to five-year terms. The purpose of the Authority is to keep the local waters free of pollution.

The Authority, as the primary government for financial reporting purposes, has oversight responsibility and control over all activities related to the Two Rivers Water Reclamation Authority. The Authority receives funding from federal government sources and must comply with requirements of these funding source entities.

The Authority has no component units that are required to be included within the reporting entity as set forth in Section 2100 of the GASB Codification of Governmental Accounting and Financial Reporting Standards.

B. Basis of Presentation, Basis of Accounting:

Basis of Presentation

The operations of the Authority are accounted for as a proprietary fund. The accompanying financial statements have been prepared on the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America applicable to proprietary funds as defined by the Governmental Accounting Standards Board (GASB). All proprietary funds are accounted for on a cost of services or "capital maintenance" measurement focus. This means that all assets, deferred outflows of resources and all liabilities and deferred inflows of resources, whether current or non-current, associated with their activity are included on the Comparative Statement of Net Position. Their reported fund equity (net position) is segregated into net investment in capital assets and restricted and unrestricted net position. Proprietary fund type operating statements present increases (revenues) and decreases (expenses) in total net position. Depreciation of all exhaustive capital assets used by proprietary funds is charged as an expense against their operations. Accumulated depreciation is reported on the proprietary fund Comparative Statement of

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

1. Summary of Significant Accounting Policies - (Continued)

B. Basis of Presentation, Basis of Accounting - (Continued):

Net Position as an offset to capital assets-net of depreciation. Depreciation has been provided over the estimated useful lives using the straight-line method.

Basis of Accounting

Basis of accounting determines when transactions are recorded in the financial records and reported on the financial statements.

The accrual basis of accounting is used for measuring financial position and operating results of proprietary fund types. Under this method, revenues are recognized in the accounting period in which they are earned and expenses are recognized when they are incurred.

C. Assets, Liabilities and Net Position:

Cash and Cash Equivalents:

Amounts include petty cash and change funds, interest-bearing checking accounts and short-term investments with an original maturity date of three months or less from the date of purchase, carried at cost, which equals fair value.

Investments:

Investments include a Certificate of Deposit, Bond Anticipation Notes, and United States Treasury Bills. Investments are carried at fair value and have a maturity date of more than three months.

Accounts Receivable:

User charges are established by the Board annually. The charges are subject to adjustment by the Board and a public hearing must be advertised and held prior to adjustment. The Authority has not raised rates since 2003. Receivables are evaluated periodically for collectability. Unpaid user charges are reported to the municipality where the user resides and referred for inclusion in annual tax sales. Allowances for doubtful accounts are established when deemed necessary. No allowances were deemed necessary or established at October 31, 2020 or 2019, respectively.

Inventories:

Inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. At October 31, 2020 and 2019, the value of the inventory, not held for resale, consisting of diesel fuel on hand, was \$12,092 and \$16,684, respectively.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

1. Summary of Significant Accounting Policies - (Continued)

C. Assets, Liabilities and Net Position - (Continued)

Capital Assets - (Continued):

Capital assets, which include land, property, plant, equipment and construction in progress, are reported in the financial statements. The Authority has established a formal system of accounting for its capital assets. Purchased or constructed capital assets are reported at cost. Donated capital assets are recorded at acquisition value at the date of acquisition. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset lives are not capitalized. The capitalization threshold used by Authorities in the State of New Jersey is \$2,000.

All reported capital assets except for land and construction in progress are depreciated. Depreciation is computed using the straight-line method under the half-year convention over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives</u>
Buildings	10-75
Pump Stations	5-40
Mains and Interceptors	5-75
Vehicles	5-10
Other Improvements	10-75
Other Equipment	5-20

Unearned Revenue:

Unearned revenue represents billings for system use which have been issued but not yet earned, due to the timing difference between the calendar year billing cycle and the Authority's fiscal year end of October 31 and cash received in the current fiscal year which benefits the subsequent fiscal year.

Net Position:

Net position represents the difference between assets, deferred outflows of resources, liabilities and deferred inflows of resources. Net position - net investment in capital assets consists of capital assets, net of accumulated depreciation, reduced by the outstanding balance of any borrowing used for the acquisition, construction, or improvement of those assets. Net position is reported as restricted when there are limitations imposed on their use either through external restrictions imposed by creditors, grantors, or laws or regulations of other governments. Designations of unrestricted net position are imposed by action of the Authority's Board.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

1. Summary of Significant Accounting Policies - (Continued)

D. Revenues, Operating Revenues and Expenses:

Revenues - Exchange and Non-exchange Transactions:

Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. On the accrual basis, revenue from system user charges is recognized in the fiscal year for which the user fees are levied.

Revenue from grants, entitlements, and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied.

Operating Revenues and Expenses:

Operating revenues are those revenues that are generated directly from the primary activity of the Authority. These operating revenues are for the collection and treatment of wastewater. Operating expenses are necessary costs incurred to provide the service that is the primary activity of the Authority.

Nonoperating Revenues and Expenses:

Nonoperating revenues are those revenues that are generated indirectly from the primary activity of the Authority. These nonoperating revenues are from connection fees, interest income and other miscellaneous sources. Nonoperating expenses are costs incurred that are not directly related to the current year's primary activity of the Authority such as interest on revenue bonds outstanding.

E. Management Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

F. Recent Pronouncements

The GASB issued Statement No. 84, *Fiduciary Activities* in January 2017. This Statement establishes standards of accounting and financial reporting for fiduciary activities. The requirements of this Statement are effective for periods beginning after December 15, 2019. Management has not yet determined the impact of this Statement on the financial statements.

The GASB issued Statement No. 87, *Leases* in June 2017. This Statement establishes standards of accounting and financial reporting for leases by lessees and lessors. The requirements of this Statement are effective for periods beginning after December 15, 2019 to June 15, 2021. Due to the COVID-19 pandemic, the effective date has been postponed by eighteen months. Management has not determined the impact of the Statement on the financial statements. Management has not yet determined the impact of this Statement on the financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

1. Summary of Significant Accounting Policies - (Continued)

G. Deferred Outflows / Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial element represents a consumption of net position that applies to future periods and so will not be recognized as an outflow of resources (expense / expenditure) until then. 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 net position will sometimes report a separate section for deferred inflows of resources. This separate financial element represents an acquisition of net position that applies to future periods and so will not be recognized as an inflow of resources (revenue) until that time. The Authority has two items that qualify for reporting in this category, deferred amounts related to pensions and OPEB.

H. Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the State Health Benefits Local Government Retired Employees Plan (SHBP) and additions to/deductions from SHBP's fiduciary net position have been determined on the same basis as they are reported by SHBP.

I. Subsequent Events

Management has reviewed and evaluated all events and transactions occurring from October 31, 2020 through the date of the financial statements were available for issuance, February 18, 2022, for possible disclosure and recognition in the accompanying financial statements. Other than the following, no items have come to the attention of the Authority which would require disclosure or recognition. On November 17, 2020 the Authority authorized the issuance of not to exceed \$4,000,000 Revenue Bonds (Junior Lien) through the New Jersey Infrastructure Bank (NJIB) financing program. On April 7, 2021, the Authority issued \$4,000,000 in Interim Notes through the NJIB.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

2. Deposits and Investments

Cash and Cash Equivalents:

Operating cash, in the form of checking and money market accounts, is held in the Authority's name by commercial banking institutions. At October 31, 2020, the carrying amount of the Authority's deposits was \$11,482,627 and the bank balance was \$11,692,844. Of the bank balance, \$415,287 was insured with Federal Deposit Insurance Corporation, \$11,276,557 was covered by GUDPA. At October 31, 2019, the carrying amount of the Authority's deposits was \$9,141,670 and the bank balance was \$7,832,798. Of the bank balance, \$398,404 was insured with Federal Deposit Insurance Corporation and the remainder was covered by GUDPA.

Pursuant to GASB Statement No. 40, "*Deposit and Investment Risk Disclosures*" ("GASB 40"), the Authority's accounts are examined in order to determine exposure, if any, to Custodial Credit Risk (risk that in the event of bank failure, the Authority's deposits or investments may not be returned). Deposits are considered to be exposed to Custodial Credit Risk if they are: uncollateralized (securities not pledged to the depositor), collateralized with securities held by the pledging financial institution, or collateralized with securities held by the financial institution's trust department or agent but not in the Authority's name.

The Authority does not have a policy for the management of custodial credit risk, other than depositing all of its funds in banks covered by GUDPA. The Authority has adopted a cash management plan that requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act ("GUDPA"). GUDPA was enacted in 1970 to protect Government Units from a loss of funds on deposit with a failed banking institution in New Jersey.

N.J.S.A. 17:9-41 et. seq. establishes the requirements for the security of deposits of governmental units. The statute requires that no governmental unit shall deposit public funds in a public depository unless such funds are secured in accordance with the Act.

Public depositories include savings and loan institutions, banks (both state and national banks) and savings banks, the deposits of which are federally insured. All public depositories must pledge collateral, having a market value at least equal to five percent of the average daily balance of collected public funds, to secure the deposits of Governmental Units. If a public depository fails, the collateral it has pledged, plus the collateral of all other public depositories, is available to pay the full amount of their deposits to the Governmental Units.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

2. Deposits and Investments - (Continued)

Investments:

New Jersey statutes permit the Authority to purchase the following types of securities:

- Bonds and other obligations of the United States or obligations guaranteed by the United States.
- Bonds of any Federal Intermediate Credit Bank, Federal Home Loan Bank, Federal National Mortgage Agency or of any United States Bank which have a maturity date not greater than 397 days from the date of purchase.
- New Jersey Cash Management Fund, New Jersey Asset and Rebate Management Fund and Government money market mutual funds.

The Authority's investments consisted of a Certificate of Deposit, Bond Anticipation Notes and United States Treasury Bills.

Credit Risk – As of October 31, 2020 the Authority's investment in Bond Anticipation Notes was not rated by a nationally recognized bond rating agency. GASB 40 requires credit risk disclosure for all debt security investments except for obligations of the U.S. government.

Custodial Credit Risk – For investments, custodial credit risk is the risk that in the event of the failure of the counter-party, the Authority will not be able to recover the value of its investments or collateral securities that are in the possession of the outside party. Investment securities are exposed to custodial credit risk if the securities are uninsured and are not registered in the name of the Authority.

The Authority manages custodial credit risk by limiting its investments to the debt of other governmental units within the State of New Jersey, Certificates of Deposit and United States Treasury Bills and Notes.

The following is the detail of the balance of the Authority's investments, all of which are held directly by the Authority's Trustee as of October 31, 2020 and 2019.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

2. Deposits and Investments - (Continued)

Description of Investment	Interest Rates	Balance as of October 31, 2020
Bond Anticipation Notes:		
City of Lambertville	1.90%	\$ 2,000,000
Colts Neck Township	1.75%	345,076
Lyndhurst Township	2.00%	1,008,010
Town of Hammonton	1.90%	658,160
Town of Allamuchy	0.55%	815,000
Total Bond Anticipation Notes		4,826,246
Certificate of Deposit	Variable	222,518
U.S. Treasury Note	1.125%	1,003,360
Grand Total		\$ 6,052,124

Description of Investment	Interest Rates	October 31, 2019
Bond Anticipation Notes:		
Hudson County Improvement Authority	3.50%	\$ 504,595
Certificate of Deposit	Variable	222,518
U.S. Treasury Bills	Variable	11,418,710
Grand Total		\$ 12,145,823

GASB 72 established a framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurement). The three levels of the fair value hierarchy under GASB 72 are:

Level 1 - Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the Authority has the ability to access.

Level 2 - Inputs to the valuation methodology include:

- quoted prices for similar assets or liabilities in active markets;
- quoted prices for identical or similar assets or liabilities in inactive markets;
- inputs other than quoted prices that are observable for the asset or liability;
- inputs that are derived principally from or corroborated by observable market data by correlation or other means.

Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

2. Deposits and Investments - (Continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

Following is a description of the valuation methodologies used for assets measured at fair value:

- *Municipally issued Bond Anticipation Notes:* Valued at the acquisition price as these assets are not traded and are held to maturity.
- *US Treasury Bills and Notes:* Valued at the closing price reported on the active market in which the security is traded. The U.S. Treasury Bills and Notes have a rating by S&P of AA to Aa.
- *Certificates of Deposit:* Valued at the acquisition price which equals fair value.

The preceding methods may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although management believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following table sets forth by level, within the fair value hierarchy, the Authority's assets at fair value as of October 31, 2020 and 2019:

Assets at Fair Value as of October 31, 2020		
	Level 2	Total
Held to maturity securities:		
Bond Anticipation Notes	\$ 4,826,246	\$ 4,826,246
Certificate of Deposit	222,518	222,518
U.S. Treasury Note	1,003,360	1,003,360
Total	\$ 6,052,124	\$ 6,052,124

Assets at Fair Value as of October 31, 2019		
	Level 2	Total
Held to maturity securities:		
Bond Anticipation Notes	\$ 504,595	\$ 504,595
Certificate of Deposit	222,518	222,518
U.S. Treasury Note	11,418,710	11,418,710
Total	\$ 12,145,823	\$ 12,145,823

As of October 31, 2020 and 2019, all investments have a maturity date of less than one year.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

3. Capital Assets

The following schedule is a summarization of the changes in capital assets for the years ended October 31, 2020 and 2019.

October 31, 2020

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in Progress	\$ 1,471,234	\$ 3,815,257	\$ (627,740)	\$ 4,658,751
Land	1,937,121	-	-	1,937,121
Total capital assets, not being depreciated	<u>3,408,355</u>	<u>3,815,257</u>	<u>(627,740)</u>	<u>6,595,872</u>
Capital assets, being depreciated:				
Buildings and improvements	15,580,686	2,579	-	15,583,265
Other improvements	73,120,669	41,980	-	73,162,649
Sewer mains and interceptors	32,701,470	-	-	32,701,470
Pump stations	8,514,344	425,744	-	8,940,088
Other equipment	5,409,601	243,042	532,090	6,184,733
Vehicles	1,337,426	-	-	1,337,426
Total assets being depreciated	<u>136,664,196</u>	<u>713,345</u>	<u>532,090</u>	<u>137,909,631</u>
Accumulated depreciation	<u>(71,185,580)</u>	<u>(3,263,172)</u>	<u>-</u>	<u>(74,448,752)</u>
Total capital assets, being depreciated, net	<u>65,478,616</u>	<u>(2,549,827)</u>	<u>532,090</u>	<u>63,460,879</u>
Net capital assets	<u>\$ 68,886,971</u>	<u>\$ 1,265,430</u>	<u>\$ (95,650)</u>	<u>\$ 70,056,751</u>

October 31, 2019

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in Progress	\$ 1,010,776	\$ 1,304,795	\$ (844,337)	\$ 1,471,234
Land	1,470,400	466,721	-	1,937,121
Total capital assets, not being depreciated	<u>2,481,176</u>	<u>1,771,516</u>	<u>(844,337)</u>	<u>3,408,355</u>
Capital assets, being depreciated:				
Buildings and improvements	15,543,486	37,200	-	15,580,686
Other improvements	73,069,013	48,718	2,938	73,120,669
Sewer mains and interceptors	32,701,470	-	-	32,701,470
Pump stations	7,894,501	435,922	183,921	8,514,344
Other equipment	4,514,896	237,227	657,478	5,409,601
Vehicles	1,342,361	32,680	(37,615)	1,337,426
Total assets being depreciated	<u>135,065,727</u>	<u>791,747</u>	<u>806,722</u>	<u>136,664,196</u>
Accumulated depreciation	<u>(68,073,346)</u>	<u>(3,142,724)</u>	<u>30,490</u>	<u>(71,185,580)</u>
Total capital assets, being depreciated, net	<u>66,992,381</u>	<u>(2,350,977)</u>	<u>837,212</u>	<u>65,478,616</u>
Net capital assets	<u>\$ 69,473,557</u>	<u>\$ (579,461)</u>	<u>\$ (7,125)</u>	<u>\$ 68,886,971</u>

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

4. Long-term liabilities

During the year ended October 31, 2020, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance
Revenue bonds payable	\$ 6,391,400	\$ -	\$ 3,481,400	\$ 2,910,000
Unamortized premium	52,707	-	5,788	46,919
	<u>6,444,107</u>	<u>-</u>	<u>3,487,188</u>	<u>2,956,919</u>
Construction loan payable	-	2,885,199	-	2,885,199
Compensated absences	334,288	258,449	238,986	353,751
Sub-total	6,778,395	3,143,648	3,726,174	6,195,869
Net OPEB liability	5,935,347	2,331,760	-	8,267,107
Net pension liability	7,249,792	-	723,676	6,526,116
Total	<u>\$ 19,963,534</u>	<u>\$ 5,475,408</u>	<u>\$ 4,449,850</u>	<u>\$ 20,989,092</u>
Current Portion	<u>\$ 3,486,182</u>			<u>\$ 233,779</u>

During the year ended October 31, 2019, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance
Revenue bonds payable	\$ 9,818,338	\$ -	\$ 3,426,938	\$ 6,391,400
Unamortized premium	57,491	-	4,784	52,707
	<u>9,875,829</u>	<u>-</u>	<u>3,431,722</u>	<u>6,444,107</u>
Compensated absences	360,492	1,803	28,007	334,288
Sub-total	10,236,321	1,803	3,459,729	6,778,395
Net OPEB liability	7,261,164	-	1,325,817	5,935,347
Net pension liability	7,680,727	-	430,935	7,249,792
Total	<u>\$ 25,178,212</u>	<u>\$ 1,803</u>	<u>\$ 5,216,481</u>	<u>\$ 19,963,534</u>
Current Portion	<u>\$ 3,431,721</u>			<u>\$ 3,486,182</u>

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

4. Long-term liabilities – (Continued)

2000A Series Bonds - New Jersey Environmental Infrastructure Trust

On November 9, 2000, the Authority issued \$49,357,977 in Revenue Bonds through the New Jersey Environmental Infrastructure Trust (“NJEIT”). The “Fund” portion of the Bond Issue, \$22,642,977, was issued on an interest free basis. The remaining Bonds mature semi-annually on February 1, 2020 and August 1, 2020 at maturities of \$30,894 to \$1,154,690, respectively. The Bonds were issued with an original issue premium of \$20,100.

In 2013, the Authority received notice from the NJEIT that \$725,717 was deobligated resulting in a reduction of the principal balance outstanding.

The “Trust” portion of the Bond Issue, \$26,715,000, has a remaining annual maturity due August 1, 2020 of \$2,070,816 which bears interest at a rate of 5.25%.

The “Trust” portion of the Bond Issue was refunded by the NJEIT during the fiscal years ending October 31, 2006 and 2010. The Authority realized present value savings of \$1,034,705 and \$139,070, respectively.

As of October 31, 2020, the Bond Issue has been paid off.

2016 Revenue Bonds

On March 31, 2016, the Authority issued \$3,770,000 in Revenue Bonds. The Bonds mature annually on June 1 through 2031 with remaining principal amounts ranging from \$225,000 to \$320,000. Interest rates range from 2.125% to 2.0%.

New Jersey Infrastructure Bank Temporary Financing

On April 2, 2020, the Authority was awarded an interest free construction loan of up to \$75,000,000 by the New Jersey Infrastructure Bank in order to fund the construction of a new main pump station. As of October 31, 2020, the Authority drew down \$2,885,199 of the construction loan. The draw down on the loan is reflected as a current liability, however, once the construction loan is converted to a long-term bond issuance, payment terms will be identified and a portion of the loan will be reflected as long-term debt.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

4. Long-term liabilities – (Continued)

Aggregate long-term debt outstanding is as follows:

<u>Fiscal Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 230,000	\$ 67,094	\$ 297,094
2022	235,000	62,206	297,206
2023	240,000	56,919	296,919
2024	245,000	51,519	296,519
2025	250,000	46,006	296,006
2026-2030	1,390,000	147,388	1,537,388
2031	320,000	1,750	321,750
	<u>\$ 2,910,000</u>	<u>\$ 432,882</u>	<u>\$ 3,342,882</u>

5. Compensated Absences

The Authority records a liability for compensated absences that are attributable to services already rendered and that are not contingent on a specific event that is outside the control of the employer and employee and is accrued as employees earn the rights to the benefits. The Authority uses the “vesting method” for estimating its accrued sick and vacation leave liability.

Authority employees are granted vacation and sick leave in varying amounts under the Authority’s personnel policies and according to negotiated contracts. In the event of retirement, according to contract, an employee is reimbursed for accumulated vacation and sick leave. The liability for vested compensated absences of the Authority amounted to \$353,751 and \$334,288 as of October 31, 2020 and 2019, respectively.

6. Pension Plans

Description of Systems:

Substantially all of the Authority’s employees participate in the following contributory defined benefit public employee retirement system, which has been established by State statute; the Public Employees’ Retirement System (PERS). This system is sponsored and administered by the State of New Jersey. The Public Employees’ Retirement System is a cost-sharing multiple-employer plan.

Public Employees’ Retirement System (PERS):

The Public Employees’ Retirement System (PERS) was established in January 1955 under the provisions of N.J.S.A. 43:15A to provide retirement, death, disability and medical benefits to certain qualified members.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

6. Pension Plans – (Continued)

Public Employees' Retirement System (PERS): - (Continued)

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

The State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, issued publicly available financial reports that include the financial statements and required supplementary information for the PERS. The financial reports may be obtained by writing to the State of New Jersey, Department of the Treasury, Division of Pensions and Benefits, P.O. Box 295, Trenton, New Jersey 08625-0295.

Funding Policy

The contribution policy is set by New Jersey State Statutes and contributions are required by active members and contributing members. Plan member and employer contributions may be amended by State of New Jersey legislation. Under the provisions of Chapter 78, P.L. 2011, the employee contribution rate for PERS for 2020 was 7.50% of employees' annual compensation. Employers are required to contribute at an actuarially determined rate for PERS. The actuarially determined contribution includes funding for noncontributory death benefits, and post-retirement medical premiums. The Authority's actuarially determined contributions to PERS for the years ended October 31, 2020, 2019 and 2018 were \$437,793, \$392,687 and \$389,301, respectively, equal to the required contributions for each year.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

6. Pension Plans – (Continued)

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

Public Employee's Retirement System (PERS)

At October 31, 2020 and 2019, the Authority reported a liability of \$6,526,116 and \$7,249,792, respectively, for its proportionate share of the net pension liability. The October 31, 2020 net pension liability was measured as of June 30, 2020, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at July 1, 2019, which was rolled forward to June 30, 2020. 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 Authorities, actuarially determined. At June 30, 2020, the Authority's proportion was 0.0400193953 percent, which was a decrease of 0.0002159098 percent from its proportion measured as of June 30, 2019 of 0.040

2353051 percent. For the years ended October 31, 2020 and 2019, the Authority recognized full accrual pension expense of \$281,124 and \$421,430, respectively, in the financial statements.

At October 31, 2020 and 2019, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	2020	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 211,715	\$ 2,732,547
Net difference between projected and actual investment earnings on pension plan investments	223,068	-
Changes in proportion	480,224	84,729
Difference between expected and actual experience	118,830	23,079
Authority contributions subsequent to the measurement date	145,931	-
	\$ 1,179,768	\$ 2,840,355
	2019	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 723,918	\$ 2,516,380
Net difference between projected and actual investment earnings on pension plan investments	-	114,441
Changes in proportion	742,039	172,747
Difference between expected and actual experience	130,124	32,026
Authority contributions subsequent to the measurement date	130,458	-
	\$ 1,726,539	\$ 2,835,594

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

6. Pension Plans – (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

For the year ended October 31, 2020, \$145,931 is reported as deferred outflows of resources related to pensions resulting from Authority contributions subsequent to the measurement date. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended October 31,	Amount
2021	\$ (621,440)
2022	(585,655)
2023	(380,379)
2024	(179,515)
2025	(39,529)
Total	<u>\$ (1,806,518)</u>

Actuarial Assumptions

The collective total pension liability for the June 30, 2020 measurement date was determined by an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

<u>June 30, 2020</u>	
Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 - 6.00%
	based on years of service
Thereafter	3.00 - 7.00%
	based on years of service
Investment rate of return	7.00%

The collective total pension liability for the June 30, 2019 measurement date was determined by an actuarial valuation as of July 1, 2018, which was rolled forward to June 30, 2019. This actuarial valuation used the following actuarial assumptions, applied to all periods included in the measurement:

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

6. Pension Plans – (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	June 30, 2019
Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 - 6.00%
	based on years of service
Thereafter	3.00 - 7.00%
	based on years of service
Investment rate of return	7.00%

Mortality Rates

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-2020.

The actuarial assumptions used in the July 1, 2019 and July 1, 2018 valuations were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experiences will not exactly conform to these assumptions. To the extent that actual experience deviates from these assumptions, the emerging liabilities may be higher or lower than anticipated. The more the experience deviates, the larger the impact on future financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

6. Pension Plans - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Long-Term Rate of Return

In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020 and 2019) 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, 2020 and 2019 are summarized in the following tables:

2020		
Asset Class	Target Allocation	Long Term Expected Real Rate of Return
US Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Equity	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

6. Pension Plans - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

	2019	
Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Risk Mitigation Strategies	3.00%	4.67%
Cash Equivalents	5.00%	2.00%
U.S. Treasuries	5.00%	2.68%
Investment Grade Credit	10.00%	4.25%
High Yield	2.00%	5.37%
Private Credit	6.00%	7.92%
Real Assets	2.50%	9.31%
Real Estate	7.50%	8.33%
US Equity	28.00%	8.26%
Non-U.S. Developed Markets Equity	12.50%	9.00%
Emerging Markets Equity	6.50%	11.37%
Private Equity	12.00%	10.85%

Discount rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020 and 6.28% as of June 30, 2019. 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 78% 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.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

6. Pension Plans - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Sensitivity of the Authority's proportionate share of the net pension liability to changes in the discount rate

The following presents the Authority's proportionate share of the net pension liability as of October 31, 2020 calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.00 percent) or 1-percentage-point higher (8.00 percent) than the current rate:

	<u>At 1% Decrease</u>	<u>At Current Discount Rate (7.00%)</u>	<u>At 1% Increase</u>
PERS	\$9,100,329	\$ 6,526,116	\$5,606,813

The following presents the Authority's proportionate share of the net pension liability as of October 31, 2019 calculated using the discount rate as disclosed above as well as what the Authority's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (5.28 percent) or 1-percentage-point higher (7.28 percent) than the current rate:

	<u>At 1% Decrease</u>	<u>At Current Discount Rate (6.28%)</u>	<u>At 1% Increase</u>
PERS	\$9,157,665	\$ 7,249,792	\$5,642,138

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

6. Pension Plans - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Pension Plan Fiduciary Net Position

The plan fiduciary net position for PERS, including the State of New Jersey, at June 30, 2020 and 2019 were \$29,045,369,302 and \$29,847,977,666, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2020 and 2019 was \$22,997,176,445 and \$23,347,631,751, respectively.

Additional Information

Collective balances of the Local Group at the end of the current measurement period, June 30, 2020 are as follows:

Collective deferred outflows of resources	\$ 2,347,583,337
Collective deferred inflows of resources	7,849,949,407
Collective net pension liability	16,435,616,426
Authority's Proportion	0.0400193953%

Collective balances of the Local Group at the end of the measurement period, June 30, 2019 are as follows:

Collective deferred outflows of resources	\$ 3,149,522,616
Collective deferred inflows of resources	7,645,087,574
Collective net pension liability	18,143,832,135
Authority's Proportion	0.0402353051%

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2020 and 2019 was \$407,705,399 and \$974,471,686, respectively. The average of the expected remaining service lives of all plan members is 5.16, 5.21, 5.63, 5.48, 5.57, 5.72, and 6.44 years for the 2020, 2019, 2018, 2017, 2016, 2015, and 2014 amounts, respectively.

State Contribution Payable Dates

Prior to July 1, 2019 valuation, it is assumed the State will make pension contributions the June 30th following the valuation date. Effective with the July 1, 2019 valuation Chapter 83 P.L. 2016 requires the State to make pension contributions on a quarterly basis at least 25% by September 30, at least 50% by December 31, at least 75% by March 31, and at least 100% by June 30.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

6. Pension Plans - (Continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (Continued)

Receivable Contributions

The Fiduciary Net Position (FNP), includes Local employers' contributions receivable as reported in the financial statements provided by the Division of Pensions and Benefits. In determining the discount rate, the FNP at the beginning of each year does not reflect receivable contributions as those amounts are not available at the beginning of the year to pay benefits. The receivable contributions for the years ended June 30, 2020 and June 30, 2019 are \$1,144,889,253 and \$1,038,892,124, respectively.

7. Postemployment Benefits Other Than Pensions (OPEB)

Plan description and benefits provided

The Authority participates in the State Health Benefit Local Government Retired Employees Plan (Plan), a cost-sharing multiple-employer defined benefit other postemployment benefit (OPEB) plan administered by the State of New Jersey Division of Pension and Benefits. The Plan covers employees of local government employers that have adopted a resolution to participate in the Plan. The Plan provides medical and prescription drug coverage to retirees and their covered dependents. Rules governing the operation and administration of the program are found in Chapter 88, P.L. 1974 and Chapter 48, P.L. 1999. Additional information about the Plan is available from the State of New Jersey, Division of Pensions and Benefits Comprehensive Annual Financial Report, which can be found at <https://www.state.nj.us/treasury/pensions.financial-reports.shtml>.

OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

At October 31, 2020 and 2019, the Authority reported a liability of \$8,267,107 and \$5,935,347, respectively for its proportionate share of the net OPEB liability. The net OPEB liability as of October 31, 2020 was determined by an actuarial valuation as of June 30, 2019 which was rolled forward to June 30, 2020. The net OPEB liability as of October 31, 2019 was determined by an actuarial valuation as of June 30, 2018 which was rolled forward to June 30, 2019. The Authority's proportion of the net OPEB liability was based on a projection of the Authority's long-term share of contributions to the OPEB plan relative to the projected contributions of all participating local governments, actuarially determined. At October 31, 2020 and 2019, the Authority's proportion was 0.046065 and 0.043816 percent, respectively.

For the year ended October 31, 2020, the Authority recognized OPEB expense of \$(292,862). At October 31, 2020, the Authority reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

TWO RIVERS WATER RECLAMATION AUTHORITY
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Years Ended October 31, 2020 and 2019

7. Postemployment Benefits Other Than Pensions (OPEB) - (Continued)

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes between expected and actual experience	\$ 217,749	\$ 1,539,490
Changes of assumptions	1,236,499	1,838,477
Changes in proportion	437,737	1,250,631
Net difference between projected and actual investment earnings on OPEB plan investments	5,250	
	\$ 1,897,235	\$ 4,628,598

For the year ended October 31, 2019, the Authority recognized OPEB expense of \$(497,481). At October 31, 2019, the Authority reported deferred outflow of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes between expected and actual experience		\$ 1,735,727
Changes of assumptions		2,103,355
Changes in proportion		1,521,792
Net difference between projected and actual investment earnings on OPEB plan investments	\$ 4,889	
	\$ 4,889	\$ 5,360,874

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

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

7. Postemployment Benefits Other Than Pensions (OPEB) – (Continued)

Year ending October 31,	Amount
2021	\$ (603,634)
2022	(604,041)
2023	(604,696)
2024	(605,222)
2025	(388,921)
Thereafter	75,151
Total	\$(2,731,363)

Discount Rate

The discount rate for June 30, 2020 and 2019 was 2.21% and 3.50%, respectively. This represents the municipal bond return rate as chosen by the State. The source is the Bond Buyer Go 20-Bond Municipal Bond Index, which includes tax-exempt general obligation municipal bonds with an average rating of AA/Aa or higher. As the long-term rate of return is less than the municipal bond rate, it is not considered in the calculation of the discount rate, rather the discount rate is set at the municipal bond rate.

Mortality Rates

Mortality rates for June 30, 2020 for Pre-retirement and Post retirement healthy retirees is based on the Pub-2010 Healthy “General” table. Disability mortality is based on the Pub-2010 Disabled “General” table.

Mortality rates for June 30, 2019 for Pre-retirement and Post retirement healthy retirees is based on the Pub-2010 Healthy “General” table. Disability mortality is based on the Pub-2010 Disabled “General” table.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

7. Postemployment Benefits Other Than Pensions (OPEB) – (Continued)

Health Care Trend Assumptions

For pre-Medicare medical benefits, the trend is initially 5.6% and decreases to a 4.5% long-term trend rate after eight years. For post-65 medical benefits, the actual fully-insured Medicare Advantage trend rates for fiscal year 2021 are reflected. The assumed post-65 medical trend is 4.5% for all future years.

For prescription drug benefits, the initial trend rate is 7.5% and decreases to a 4.5% long-term trend rate after eight years.

The following represents sensitivity of the Authority's proportionate share of the net OPEB liability associated with the Authority to changes in the discount rate and healthcare cost trend rate.

The following presents the Authority's proportionate share of the net OPEB liability associated with the Authority as of June 30, 2020 calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (1.21%)	At Discount Rate (2.21%)	1% Increase (3.21%)
Total Net OPEB Liability	\$ 21,216,688,254	\$ 17,946,612,946	\$ 15,358,051,000
Authority's Share	\$ 9,773,467	\$ 8,267,107	\$ 7,074,686

The following presents the Authority's proportionate share of the net OPEB liability associated with the Authority as of June 30, 2019 calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.50%)	At Discount Rate (3.50%)	1% Increase (4.50%)
Total Net OPEB Liability	\$ 14,850,840,718	\$ 17,946,612,946	\$ 22,000,569,109
Authority's Share	\$ 6,862,771	\$ 5,935,347	\$ 5,181,692

The following presents the Authority's proportionate share of the net OPEB liability associated with the Authority as of June 30, 2020 calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

7. Postemployment Benefits Other Than Pensions (OPEB) – (Continued)

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total Net OPEB Liability	\$ 14,850,840,718	\$ 17,946,612,946	\$ 22,000,569,109
Authority's Share	\$ 6,841,040	\$ 8,267,107	\$ 10,134,562

The following presents the Authority's proportionate share of the net OPEB liability associated with the Authority as of June 30, 2019 calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	<u>1% Decrease</u>	<u>Healthcare Cost Trend Rate</u>	<u>1% Increase</u>
Total Net OPEB Liability	\$ 11,431,214,644	\$ 13,546,071,100	\$ 16,243,926,531
Authority's Share	\$ 5,008,701	\$ 5,935,347	\$ 7,117,439

Actuarial assumptions and other inputs

The total OPEB liability as of June 30, 2020 was determined by an actuarial valuation as of June 30, 2019, which was rolled forward to June 30, 2020. The actuarial assumptions vary for each plan member depending on the pension plan the member is enrolled in. This actuarial valuations used the following actuarial assumptions, applied to all periods in the measurement:

Inflation rate	2.50%
Salary increases*	
Rate through 2026	2.00 to 6.00%
Rate thereafter	3.00 to 7.00%

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

Actuarial assumptions used in the July 1, 2019 valuation were based on the results of PERS experience studies prepared for July 1, 2014 to June 30, 2018.

The average service lives of all plan members is 7.87, 8.05, 8.14 and 8.04 years for 2020, 2019, 2018 and 2017, respectively.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

8. Defined Contribution Retirement Program

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

9. Deferred Compensation

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan which is administered by the AXA/Equitable, permits participants to defer a portion of their salary until future years. Amounts deferred under the plans are not available to employees until termination, retirement, death or unforeseeable emergency.

10. Risk Management

The Authority is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

Property and Liability Insurance:

The Authority maintains commercial insurance coverage through the New Jersey Utility Authorities Joint Insurance Fund for property, liability and surety bonds and does not retain risk of loss. A complete schedule of insurance coverage can be found in the Other Information section of the report. There have been no significant reductions in insurance coverage from the prior year and no settlements have exceeded insurance coverage over the past three years.

New Jersey Unemployment Compensation Insurance:

The Authority has elected to fund its New Jersey Unemployment Compensation Insurance under the "Benefit Reimbursement Method." Under this plan, the Authority is required to reimburse the New Jersey Unemployment Trust Fund for benefits paid to its former employees and charged to its account with the State. The Authority is billed quarterly for amounts due to the State. There are sufficient funds maintained in the separate unemployment compensation account to pay current billings.

11. Contingent Liabilities

Grant Programs:

The Authority participates in federal and state grant programs, which are governed by various rules and regulations of the grantor agencies; therefore, to the extent that the Authority has not complied with the rules and regulations governing grants, refunds of any money received may be required. Management is not aware of any material items of noncompliance, which would result in the disallowance of program expenditures.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2020 and 2019

11. Contingent Liabilities – (Continued)

Litigation:

The Authority's attorney has indicated the Authority is not involved in any litigation.

Infection Disease Outbreak – COVID 19:

The Authority's operations and financial performance may be affected by the recent COVID-19 outbreak, which has spread globally and is expected to adversely affect economic conditions throughout the world. If the outbreak continues and conditions worsen, the Authority may experience a disruption in operations as well as a decline in revenue activities. Economic uncertainty is related to the difficulties in collection of user charges as well as increasing cost of supplies and construction in progress materials. The outbreak may adversely affect the Authority's activities, financial condition, results of operations, and cash flows. Management is closely monitoring the impact of COVID-19 and believes that the Authority is taking appropriate actions to mitigate the negative impact. However, management is unable to estimate the financial impact, if any, related to this matter.

12. Restrictions on Net Position

Certain portions of net position have been restricted. Restrictions as of October 31, 2020 and 2019 include net position restricted for dredging project of \$190,000, for renewal and replacement of \$1,500,000 and for debt service of \$100,000.

13. Subsequent Event

Management has reviewed and evaluated all events and transactions occurring from October 31, 2020 through the date of the financial statements were available for issuance for possible disclosure and recognition in the accompanying financial statements. Other than the following, no items have come to the attention of the Authority which would require disclosure or recognition. On November 17, 2020, the Authority authorized the issuance of not to exceed \$4,000,000 Revenue Bonds (Junior Lien) through the New Jersey Infrastructure Bank (NJIB) financing program. On April 7, 2021, the Authority issued \$4,000,000 in Interim Notes through the NJIB.

Other Required Supplementary Information – Part II

**Schedules Relating to Accounting and Reporting for Pensions
and OPEBs
(GASB 68 and GASB 75)**

**TWO RIVERS WATER RECLAMATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE AUTHORITY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEE'S RETIREMENT SYSTEM**

LAST TEN FISCAL YEARS

	Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Authority's proportion of the net pension liability (asset) - Local Group	0.040019%	0.040235%	0.039009%	0.038096%	0.034481%	0.036721%	0.035562%	N/A	N/A	N/A
Authority's proportionate share of the net pension liability (asset)	\$ 6,526,116	\$ 7,249,792	\$ 7,680,727	\$ 8,868,048	\$ 10,212,174	\$ 8,243,126	\$ 6,658,156	N/A	N/A	N/A
Authority's covered-employee payroll	\$ 2,927,422	\$ 2,837,171	\$ 2,718,659	\$ 2,566,205	\$ 2,437,471	\$ 2,473,891	\$ 2,554,024	\$ 2,604,899	\$ 2,478,008	\$ 2,451,889
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	222.93%	255.53%	282.52%	345.57%	418.97%	333.20%	260.69%	N/A	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability - Local Group	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	48.72%	N/A	N/A	N/A

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

Notes to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 6.28% as of June 30, 2019 to 7.00% as of June 30, 2020.

**TWO RIVERS WATER RECLAMATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF AUTHORITY'S CONTRIBUTIONS
PUBLIC EMPLOYEE'S RETIREMENT SYSTEM**

LAST TEN FISCAL YEARS

	Years Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ 437,793	\$ 392,687	\$ 389,301	\$ 356,766	\$ 306,321	\$ 315,702	\$ 293,167	\$ 295,253	\$ 279,877	\$ 289,618
Contributions in relation to the contractually required contribution	<u>(437,793)</u>	<u>(392,687)</u>	<u>(389,301)</u>	<u>(356,766)</u>	<u>(306,321)</u>	<u>(315,702)</u>	<u>(293,167)</u>	<u>(295,253)</u>	<u>(279,877)</u>	<u>(289,618)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 2,800,471	\$ 2,927,422	\$ 2,837,171	\$ 2,718,659	\$ 2,566,205	\$ 2,437,471	\$ 2,473,891	\$ 2,554,024	\$ 2,604,899	\$ 2,478,008
Contributions as a percentage of covered-employee payroll	15.63%	13.41%	13.72%	13.12%	11.94%	12.95%	11.85%	11.56%	10.74%	11.69%

**TWO RIVERS WATER RECLAMATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION**
**SCHEDULE OF AUTHORITY'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY
STATE HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEE PLAN**

LAST TEN FISCAL YEARS*

	Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Authority's proportion of the net OPEB liability (asset)	0.0460650000%	0.0438160000%	0.4638000000%	0.0467040000%	0.0537190000%	N/A	N/A	N/A	N/A	N/A
Authority's proportionate share of the net OPEB liability (asset)	\$ 8,267,107	\$ 5,935,347	\$ 7,261,164	\$ 9,534,990	\$ 11,666,405	N/A	N/A	N/A	N/A	N/A
Authority's covered-employee payroll	\$ 2,927,422	\$ 2,837,171	\$ 2,718,659	\$ 2,566,204	\$ 2,437,471	\$ 2,473,891	\$ 2,554,024	\$ 2,604,899	\$ 2,478,008	\$ 2,451,889
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	282.40%	209.20%	267.09%	371.56%	478.63%	N/A	N/A	N/A	N/A	N/A
Plan fiduciary net OPEB position as a percentage of the total OPEB liability - Local Group	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

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

Note to Required Supplementary Information

Benefit Changes

As of June 30, 2020, Chapter 48 provisions were updated and adopted which provide different levels of subsidy than in the prior fiscal year.

Changes of Assumptions

The discount rate changed from 3.50% as of June 30, 2019 to 2.21% as of June 30, 2020.

The amounts presented for each fiscal year were determined as of the previous fiscal year-end.

**TWO RIVERS WATER RECLAMATION AUTHORITY
REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF AUTHORITY'S OPEB CONTRIBUTIONS
STATE HEALTH BENEFIT LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN**

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2020	2019	2018	2017	2016	2015	2014	2013	2012	2011
Contractually required contribution	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Contributions in relation to the contractually required contribution	-	-	-	-	-	-	-	-	-	-
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 2,927,422	\$ 2,837,171	\$ 2,718,659	\$ 2,566,205	\$ 2,437,471	\$ 2,473,891	\$ 2,554,024	\$ 2,604,899	\$ 2,478,008	\$ 2,451,889
Contributions as a percentage of covered-employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

Other Supplementary Information

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
CASH AND CASH EQUIVALENTS - UNRESTRICTED ACCOUNTS
YEAR ENDED OCTOBER 31, 2020**

Cash and Cash Equivalents, November 1, 2019	\$ 4,712,777
Cash Receipts:	
Customer Municipalities Annual Charges	6,069,373
Monmouth Park	69,268
Participating Municipalities Service Charges	5,537,678
Other Income	144,626
Interest Income	25,965
Connection Fees	75,558
Transfers from Restricted Accounts	<u>4,123,552</u>
Total Cash Available	<u>20,758,797</u>
Cash Disbursements:	
Vendors and Payroll	12,595,392
Transfers to Restricted Accounts	<u>3,679,288</u>
Total Cash Disbursements	<u>16,274,680</u>
Cash and Cash Equivalents, October 31, 2020	<u><u>\$ 4,484,117</u></u>

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
SCHEDULE OF CASH RECEIPTS, CASH DISBURSEMENTS AND CHANGES IN
CASH, CASH EQUIVALENTS AND INVESTMENTS - RESTRICTED ACCOUNTS
YEAR ENDED OCTOBER 31, 2020**

	Accounts Required by Revenue Bond Agreement					Other Accounts		Total
	Bond Service	Bond Reserve	Renewal and Replacement	General	Construction	Unemployment Reserve	Escrow Deposits	
Cash and Cash Equivalents, and Investments, November 1, 2019	\$ 230	\$ 100,003	\$ 1,298,809	\$ 14,476,496	\$ 452,356	\$ 98,418	\$ 148,404	\$ 16,574,716
Cash Receipts:								
Interest on Investments	365	735	9,667	163,173	2,610	-	203	176,753
Sewer Connections	-	-	-	-	45,850	-	20,492	66,342
Transfers from Unrestricted Funds	330,034	-	192,897	3,150,357	6,000	-	-	3,679,288
Transfers from Restricted Funds	3,022,226	-	-	-	3,450,000	-	-	6,472,226
Total Cash and Investments Available	3,352,855	100,738	1,501,373	17,790,026	3,956,816	98,418	169,099	26,969,325
Cash Disbursements:								
Payment of Bond Interest	183,058	-	-	-	-	-	-	183,058
Payment of Bond Principal	3,055,898	-	-	-	-	-	-	3,055,898
Transfers to Unrestricted Funds	-	735	-	294,277	3,828,540	-	-	4,123,552
Transfers to Restricted Funds	-	-	-	6,472,226	-	-	-	6,472,226
NJEIT Administrative Fee	80,145	-	-	-	-	-	-	80,145
Developer's Escrow Payments	-	-	-	-	-	-	3,812	3,812
Total Cash Disbursements	3,319,101	735	-	6,766,503	3,828,540	-	3,812	13,918,691
Cash and Cash Equivalents, and Investments, October 31, 2020	\$ 33,754	\$ 100,003	\$ 1,501,373	\$ 11,023,523	\$ 128,276	\$ 98,418	\$ 165,287	\$ 13,050,634
Balance Comprised of:								
Cash and Cash Equivalents	\$ 33,754	\$ 100,003	\$ 1,501,373	\$ 4,971,399	\$ 128,276	\$ 98,418	\$ 165,287	\$ 6,998,510
Investments	-	-	-	6,052,124	-	-	-	6,052,124
	\$ 33,754	\$ 100,003	\$ 1,501,373	\$ 11,023,523	\$ 128,276	\$ 98,418	\$ 165,287	\$ 13,050,634

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
Comparative Schedule of Revenues and Expenses Compared to Budget
(Budgetary Basis)
For the years ended October 31, 2020 and 2019**

	For the year ended October 31, 2020				For the year ended October 31, 2019			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:								
Revenues from Customer Municipalities and Government Facilities:								
Eatontown	\$ 7,375,000	\$ 7,375,000			\$ 7,405,000	\$ 7,405,000	\$ 1,808,910	\$ 1,808,910
Tinton Falls			\$ 1,732,501	\$ 1,732,501			\$ 1,122,280	\$ 1,122,280
Red Bank			1,096,504	1,096,504			1,516,709	1,516,709
Rumson			1,531,216	1,531,216			1,793,308	1,793,308
Sea Bright			1,811,695	1,811,695			490,897	490,897
Township of Shrewsbury			441,568	441,568			245,170	245,170
			217,497	217,497				
	<u>7,375,000</u>	<u>7,375,000</u>	<u>6,830,981</u>	<u>(544,019)</u>	<u>7,405,000</u>	<u>7,405,000</u>	<u>6,977,274</u>	<u>(427,726)</u>
Service Charges:								
Individual Billings Member Towns	5,954,000	5,954,000	6,074,293	120,293	5,976,500	5,976,500	6,144,722	168,222
Interest on Investments	200,000	200,000	243,903	43,903	72,000	72,000	494,327	422,327
Other Fees:								
Connection Charges	505,000	505,000	112,700	(392,300)	429,750	429,750	487,100	57,350
Miscellaneous Income	25,000	25,000	442,265	417,265	25,000	25,000	76,946	51,946
	<u>530,000</u>	<u>530,000</u>	<u>554,965</u>	<u>24,965</u>	<u>454,750</u>	<u>454,750</u>	<u>564,046</u>	<u>109,296</u>
TOTAL REVENUES	<u>14,059,000</u>	<u>14,059,000</u>	<u>13,704,142</u>	<u>(354,858)</u>	<u>13,908,250</u>	<u>13,908,250</u>	<u>14,180,369</u>	<u>272,119</u>
EXPENSES:								
Administrative and General Expenses:								
Administrative Salaries and Wages	635,000	635,000	858,228	(223,228)	543,000	543,000	628,092	(85,092)
Employee Benefits	55,000	55,000	162,457	(107,457)	144,385	144,385	113,389	30,996
FICA and Medicare	180,000	180,000	46,497	133,503	65,000	65,000	39,888	25,112
Employee Medical Related	2,000	2,000	2,825	(825)	2,000	2,000	2,133	(133)
Pension PERS	350,000	350,000	282,545	67,455	358,000	358,000	440,358	(82,358)
OPEB Benefit	-	-	(292,862)	292,862	-	-	(497,481)	497,481
Billing Expenses:								
Computer Service	32,000	32,000	40,792	(8,792)	32,000	32,000	24,199	7,801
Billing Postage	36,000	36,000	23,152	12,848	36,000	36,000	8,451	27,549
Bank Fees	84,000	84,000	83,653	347	4,000	4,000	3,404	596
Office Expenses:								
Other Postage	3,000	3,000	4,588	(1,588)	3,000	3,000	4,042	(1,042)
Stationary and Supplies	21,000	21,000	23,147	(2,147)	21,000	21,000	22,285	(1,285)
Equipment Rental and Supplies	28,000	28,000	40,291	(12,291)	28,000	28,000	22,866	5,134
Printing	6,000	6,000	9,947	(3,947)	6,000	6,000	2,539	3,461
Equipment Service Contracts	15,000	15,000	5,290	9,710	3,000	3,000	14,915	(11,915)
Telephone	20,000	20,000	18,553	1,447	20,000	20,000	18,349	1,651

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
Comparative Schedule of Revenues and Expenses Compared to Budget
(Budgetary Basis)
For the years ended October 31, 2020 and 2019**

	For the year ended October 31, 2020				For the year ended October 31, 2019			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENSES (Continued):								
General Expenses:								
Conferences and Training	\$ 10,000	\$ 10,000	\$ 3,958	\$ 6,042	\$ 10,000	\$ 10,000	\$ 7,300	\$ 2,700
Commissioners Conference	-	-	-	-	-	-	1,070	(1,070)
Travel Expenses	3,000	3,000	2,471	529	3,000	3,000	8,248	(5,248)
Motor Vehicle Fees	6,000	6,000	4,521	1,479	6,000	6,000	4,612	1,388
Auto and Fire Liability Business Insurance	150,000	150,000	144,745	5,255	150,000	150,000	110,753	39,247
Worker's Compensation Insurance	99,341	99,341	95,693	3,648	100,000	100,000	89,795	10,205
Advertising Fees	10,000	10,000	2,471	7,529	10,000	10,000	3,615	6,385
NJEIT Administration & Agent Fees	-	-	-	-	-	-	80,145	(80,145)
Dues and Membership	10,000	10,000	9,014	986	10,000	10,000	9,779	221
Subscriptions	10,000	10,000	144	9,856	10,000	10,000	30	9,970
Gift Baskets	500	500	-	500	500	500	122	378
Meeting Expenses	2,000	2,000	1,275	725	2,000	2,000	1,995	5
Equipment Renewal and Replacement	-	-	-	-	-	-	1,060	(1,060)
Leases of R.R. Property	120	120	233	(113)	115	115	-	115
Long Branch Sewerage Authority	4,000	4,000	3,751	249	4,000	4,000	3,696	304
Professional Expenses:								
Legal Fees	85,000	85,000	143,927	(58,927)	80,000	80,000	91,733	(11,733)
Engineering Fees	155,000	155,000	77,763	77,237	215,000	215,000	151,818	63,182
Trustee Fees	10,000	10,000	16,500	(6,500)	10,000	10,000	8,500	1,500
Auditors Fees	72,000	72,000	61,433	10,567	72,000	72,000	57,604	14,396
Investment Management Fees	36,000	36,000	33,000	3,000	36,000	36,000	39,000	(3,000)
Pre-Employment Physical Fees	1,000	1,000	-	1,000	1,000	1,000	217	783
Total Administrative and General Expenses	<u>2,130,961</u>	<u>2,130,961</u>	<u>1,910,002</u>	<u>220,959</u>	<u>1,985,000</u>	<u>1,985,000</u>	<u>1,518,521</u>	<u>466,479</u>
Treatment Plant and Main Pumping Expenses:								
Plant Salaries and Wages	2,280,000	2,280,000	2,165,233	114,767	2,400,000	2,400,000	2,387,626	12,374
Employee Benefits	900,000	900,000	474,382	425,618	900,000	900,000	623,679	276,321
FICA and Medicare	200,000	200,000	166,437	33,563	200,000	200,000	178,710	21,290
Other Treatment Plant Expenses:								
Conferences and Training	15,000	15,000	6,930	8,070	15,000	15,000	9,368	5,632
Electricity	700,000	700,000	586,579	113,421	700,000	700,000	567,463	132,537
Fuel - Diesel	95,000	95,000	34,387	60,613	70,000	70,000	92,459	(22,459)
Natural Gas	75,000	75,000	44,324	30,676	90,000	90,000	53,220	36,780
Sodium Hypochlorite	115,000	115,000	78,597	36,403	90,000	90,000	67,038	22,962
Polymer	90,000	90,000	91,908	(1,908)	80,000	80,000	78,660	1,340
Hydrogen Peroxide	80,000	80,000	74,542	5,458	80,000	80,000	38,137	41,863
Non Bulk Chemicals	5,000	5,000	-	5,000	5,000	5,000	3,003	1,997

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
Comparative Schedule of Revenues and Expenses Compared to Budget
(Budgetary Basis)
For the years ended October 31, 2020 and 2019**

	For the year ended October 31, 2020				For the year ended October 31, 2019			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENSES (Continued):								
Fuel - Unleaded	\$ 15,000	\$ 15,000	\$ 3,726	\$ 11,274	\$ 25,000	\$ 25,000	\$ 4,591	\$ 20,409
Truck Maintenance	75,000	75,000	51,758	23,242	75,000	75,000	56,845	18,155
DEP and EPA Permits	60,000	60,000	53,650	6,350	60,000	60,000	51,996	8,004
Calibration Services	24,000	24,000	30,401	(6,401)	10,000	10,000	23,881	(13,881)
Water	60,000	60,000	61,944	(1,944)	80,000	80,000	56,113	23,887
Stationary Supplies	-	-	1,752	(1,752)	-	-	1,478	(1,478)
Maintenance Supplies	80,000	80,000	43,161	36,839	60,000	60,000	37,229	22,771
Equipment Service Contracts	75,000	75,000	22,670	52,330	75,000	75,000	54,980	20,020
Equipment Repair	130,000	130,000	199,091	(69,091)	125,000	125,000	62,056	62,944
Uniforms and Gloves	20,000	20,000	8,984	11,016	20,000	20,000	15,402	4,598
Equipment Replacement	130,000	130,000	216,370	(86,370)	125,000	125,000	271,323	(146,323)
Sludge Removal	950,000	950,000	810,642	139,358	938,000	938,000	736,210	201,790
Ash, Grit, and Screenings	30,000	30,000	16,002	13,998	20,000	20,000	28,552	(8,552)
Laboratory Supplies	35,000	35,000	26,955	8,045	35,000	35,000	34,092	908
Outside Lab Fees	60,000	60,000	52,292	7,708	25,000	25,000	57,650	(32,650)
Municipal Services	20,000	20,000	34,874	(14,874)	35,000	35,000	17,162	17,838
Janitorial Supplies	12,000	12,000	9,285	2,715	12,000	12,000	6,048	5,952
Building and Ground Maintenance	75,000	75,000	74,212	788	75,000	75,000	102,025	(27,025)
Travel Expenses	-	-	36	(36)	-	-	688	(688)
Contingency	49,137	49,137	-	49,137	20,000	20,000	21,739	(1,739)
Plant Renewal and Replacement	-	-	19,156	(19,156)	-	-	69,725	(69,725)
New Equipment	100,000	100,000	29,860	70,140	100,000	100,000	-	100,000
Safety	50,000	50,000	43,075	6,925	35,000	35,000	50,510	(15,510)
Hurricane Damage	-	-	160,177	(160,177)	-	-	17,363	(17,363)
Gift Baskets	-	-	75	(75)	-	-	-	-
Covid-19 Expenses	-	-	28,423	(28,423)	-	-	-	-
Total Treatment Plant and Main Pumping Expenses	6,605,137	6,605,137	5,721,890	883,247	6,580,000	6,580,000	5,877,021	702,979
Lines and System Pumping Station:								
Line Salaries and Wages	270,000	270,000	219,167	50,833	450,000	450,000	359,974	90,026
Employee Benefits	225,000	225,000	133,782	91,218	190,000	190,000	66,275	123,725
FICA and Medicare	24,000	24,000	16,759	7,241	24,000	24,000	23,772	228
Other Lines Expenses:								
Stationary and Supplies	-	-	643	(643)	-	-	670	(670)
Conferences and Training	2,000	2,000	-	2,000	2,000	2,000	-	2,000
Electricity	100,000	100,000	80,040	19,960	100,000	100,000	80,229	19,771
Fuel - Unleaded Gasoline	15,000	15,000	22,370	(7,370)	15,000	15,000	13,678	1,322
Equipment Service - Contracts	10,000	10,000	5,866	4,134	5,000	5,000	4,937	63
Truck Maintenance	35,000	35,000	4,805	30,195	15,000	15,000	6,848	8,152
Natural Gas	20,000	20,000	32,924	(12,924)	20,000	20,000	34,020	(14,020)
Hydrogen Peroxide	90,000	90,000	-	90,000	75,000	75,000	18,731	56,269
Nitrate Oxygen	45,000	45,000	41,259	3,741	30,000	30,000	41,079	(11,079)

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
Comparative Schedule of Revenues and Expenses Compared to Budget
(Budgetary Basis)
For the years ended October 31, 2020 and 2019**

	For the year ended October 31, 2020				For the year ended October 31, 2019			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENSES (Continued):								
Maintenance and Supplies	\$ 25,000	\$ 25,000	\$ 17,028	\$ 7,972	\$ 25,000	\$ 25,000	\$ 6,467	\$ 18,533
Uniforms and Gloves	3,500	3,500	199	3,301	3,500	3,500	73	3,427
Buildings and Grounds Maintenance	30,000	30,000	32,965	(2,965)	20,000	20,000	35,149	(15,149)
Chemicals	5,000	5,000	-	5,000	10,000	10,000	-	10,000
Bioxide 71	100,000	100,000	138,691	(38,691)	100,000	100,000	86,456	13,544
Maintenance of Lines	425,000	425,000	209,306	215,694	270,000	270,000	404,806	(134,806)
Water	2,500	2,500	3,729	(1,229)	2,500	2,500	2,423	77
Meter Calibration	15,000	15,000	14,238	762	15,000	15,000	14,043	957
Communications Equipment	2,500	2,500	1,398	1,102	2,500	2,500	716	1,784
Equipment Repair	63,000	63,000	49,211	13,789	60,000	60,000	184,339	(124,339)
Equipment Replacement	75,000	75,000	73,976	1,024	75,000	75,000	117,180	(42,180)
Contingency	55,000	55,000	-	55,000	96,302	96,302	7,161	89,141
New Equipment	25,000	25,000	16,024	8,976	25,000	25,000	27,313	(2,313)
Fuel - Diesel	-	-	181	(181)	-	-	-	-
Total Lines and System Pumping Station Expenses	1,662,500	1,662,500	1,114,561	547,939	1,630,802	1,630,802	1,536,339	94,463
TOTAL OPERATING EXPENSES	10,398,598	10,398,598	8,746,453	1,652,145	10,195,802	10,195,802	8,931,881	1,263,921
OTHER COSTS FUNDED BY OPERATING REVENUES:								
Bond Principal	3,481,400	3,481,400	3,481,400	-	3,426,938	3,426,938	3,426,938	-
Interest on Bonds	179,002	179,002	153,946	25,056	285,510	285,510	204,274	81,236
Renewal and Replacement	-	-	803,746	(803,746)	-	-	1,018,809	(1,018,809)
TOTAL COSTS FUNDED BY OPERATING REVENUES	3,660,402	3,660,402	4,439,092	(778,690)	3,712,448	3,712,448	4,650,021	(937,573)
TOTAL EXPENSES	14,059,000	14,059,000	13,185,545	873,455	13,908,250	13,908,250	13,581,902	326,348
BUDGETARY REVENUES OVER EXPENSES	\$ -	\$ -	\$ 518,597	\$ 518,597	\$ -	\$ -	\$ 598,467	\$ 598,467
			Actual				Actual	
Reconciliation of Budgetary Basis to Net Income:								
Budgetary revenues over expenses			\$ 518,597				\$ 598,467	
Adjustments to budgetary basis:								
Depreciation expense			(3,263,172)				(3,142,724)	
Bond principal maturity			3,481,400				3,426,938	
Capital outlay expenditures			1,368,719				1,799,290	
Federal Emergency Management Agency			525,246				-	
Total Adjustments			2,112,193				2,083,504	
Net Income			\$ 2,630,790				\$ 2,681,971	

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY**

**SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE
YEAR ENDED OCTOBER 31, 2020**

Purpose	Date of Issue	Maturities		Interest Rate	Balance October 31, 2019	Paid	Balance October 31, 2020
		Date	Amount				
\$26,715,000 (Series 2000 NJEIT) Trust Loan - To provide funds for the Treatment Plant Expansion and Upgrade Project and costs of issuance.	11/9/2000				\$ 2,070,816	\$ 2,070,816	\$ -
\$22,642,977 (Series 2000A NJEIT) Fund Loan - To provide funds for the Treatment Plant Expansion and Upgrade Project and costs of issuance.	11/9/2000				1,185,584	1,185,584	-
\$3,770,000 Series 2016 Revenue Bonds - To provide funds for improvements and upgrades to the wastewater treatment system.	3/31/2016	12/01/21	\$ 230,000	2.125%			
		12/01/22	235,000	2.250%			
		12/01/23	240,000	2.250%			
		12/01/24	245,000	2.250%			
		12/01/25	250,000	2.250%			
		12/01/26	260,000	2.250%			
		12/01/27	270,000	2.250%			
		12/01/28	275,000	2.250%			
		12/01/29	285,000	2.375%			
		12/01/30	300,000	2.500%			
	12/01/31	320,000	2.500%		3,135,000	225,000	2,910,000
TOTAL					<u>\$ 6,391,400</u>	<u>\$ 3,481,400</u>	<u>\$ 2,910,000</u>
Gross Principal					\$ 6,391,400		\$ 2,910,000
Bond Premium Payable					52,707		46,919
Net Principal Balance					<u>\$ 6,444,107</u>		<u>\$ 2,956,919</u>
Principal						\$ 3,055,898	
Principal credit						365,108	
NJIB savings credit						60,394	
						<u>\$ 3,481,400</u>	
Detail:							
Current Portion					\$ 3,481,400		\$ 230,000
Long-Term Liability Revenue Bonds					2,910,000		2,726,919
Total Revenue Supported Debt					<u>\$ 6,391,400</u>		<u>\$ 2,956,919</u>

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
ANALYSIS OF CAPITAL PROJECTS
YEAR ENDED OCTOBER 31, 2020**

<u>Asset Category</u>	<u>Project Description</u>	<u>Amount Capitalized</u>
Buildings and Improvements	Ceiling Tile Lab	\$ 2,579
Other Improvements	Worm Tower Repairs	29,080
	LED Parking Lot Lights	12,900
Total Other Improvements		41,980
Pump Stations	Pump Station Roofs	40,306
	MPS Pump Unit Repair	34,559
	Labor to install pump 3	7,350
	Remove and Replace Pumps	7,350
	Rebuild Morse Pump	34,559
	Remove and Replace Pumps	7,350
	MPS Pump Unit Repair	36,240
	MPS Pump Unit Repair	34,559
	TP VFD Replacement	108,065
	PS 1 Generator Repairs	3,705
	Pump Station Controls	5,560
	Pump Rebuild	7,350
	PS 12 Spare Pump	26,632
	PS 17 Pump Rebuild	26,985
	PS 16 Pump Replacement	23,790
	VFD Pump Station 13	16,112
	PS 13 Controls	5,272
Total Pump Stations		425,744
Other Equipment	Clarifier Parts	8,375
	Gear Box Repairs Clarifier 2	8,679
	Drive Unit Clarifier 2	4,130
	Gear Box Repairs Clarifier 3	8,678
	Drive Unit Clarifier 3	4,130
	Dewatering Repairs	2,483
	Pinion Shaft Clarifier 3	5,150
	Gear box Repair Clarifier 1	12,808
	Odor Control Fan	5,766
	Scum Concentrator	19,878
	Replacement parts	7,068
	Scum Sensor	3,429
	Dewatering Odor Control Fan	2,000

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
ANALYSIS OF CAPITAL PROJECTS
YEAR ENDED OCTOBER 31, 2020**

<u>Asset Category</u>	<u>Project Description</u>	<u>Amount Capitalized</u>
Other Equipment (continued)	RAS Pump Unit 3 Repair	\$ 7,670
	Sludge mixing pump repair	15,588
	Repair Clarifier 2	9,359
	Clarifier Repairs	5,110
	Switchgear service repairs	2,360
	3HP Pump Unit	2,297
	Grit Pump	2,988
	Effluent bar screen repairs	18,910
	Motor - Grit chamber 2	7,166
	GBT's CPU Upgrade	19,058
	New RTU #2 for Admin	12,598
	Spare Switchgear Relays	21,310
	Clarifier Dewatering Pump	4,179
	Plant Cameras	9,050
	Headworks repairs	2,035
	Inspection Camera	10,790
Total Other Equipment		243,042
Construction in Progress	Fort Design	96,939
	Main Pump Station Replacement	3,031,069
	Electrical and Switch Gear Upgrades	175,146
	RAS Pipe Reconstruction	1,594
	PS Control Panels	39,785
	Plant PLC Hardware	430,180
	Pump Station Roofs	40,306
	Little Silver Interceptor	238
Total Construction in Progress		3,815,257
Total		\$ 4,528,602
Detail:		
Additions to Construction in Progress		\$ 3,815,257
Current Year's Acquisitions		713,345
		\$ 4,528,602

Single Audit Section

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

**Management and Commissioners of
Two Rivers Water Reclamation Authority
Monmouth Beach, New Jersey**

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the audit requirements as prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey ("Division") the basic financial statements of the business-type activities of the Two Rivers Water Reclamation Authority, in the County of Monmouth, New Jersey ("Authority") as of and for the year ended October 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 18, 2022.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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.

**Management and Members of
Two Rivers Water Reclamation Authority
Monmouth Beach, New Jersey**
Page 2

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Compliance and Other Matters

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

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 result 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.

PKF O'Connor Davies, LLP

Cranford, New Jersey
February 18, 2022



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

INDEPENDENT AUDITORS' REPORT

**Management and Commissioners of
Two Rivers Water Reclamation Authority
Monmouth Beach, New Jersey**

Report on Compliance for Each Major State Program

We have audited the Two Rivers Water Reclamation Authority's, County of Monmouth, New Jersey (the "Authority") compliance with the types of compliance requirements described in the New Jersey Compliance Manual "State Grant Compliance Supplement" that could have a direct and material effect on each of the Authority's major state programs for the year ended October 31, 2020. The Authority's major state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirement of laws, regulations, contracts, and terms and conditions applicable to its state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Authority's major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Those standards and New Jersey OMB's Circular 15-08 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Authority's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination on the Authority's compliance.

PKF O'CONNOR DAVIES, LLP
20 Commerce Drive, Suite 301, Cranford, NJ 07016 | Tel: 908.272.6200 | Fax: 908.272.2416 | www.pkfod.com

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Opinion on Each Major State Program

In our opinion, the Authority complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended October 31, 2020.

Report on Internal Control Over Compliance

Management of the Authority is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Authority's internal control over compliance with the types of requirements that could have a direct and material effect on each major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with the NJ OMB Circular 15-08, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Two Rivers Water Reclamation Authority's 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 state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that a material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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

Purpose of this Report

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 NJ OMB Circular 15-08. Accordingly, this report is not suitable for any other purposes.

PKF O'Connor Davies, LLP

Cranford, New Jersey
February 18, 2022

TWO RIVERS WATER RECLAMATION AUTHORITY

**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE
FOR THE YEAR ENDED OCTOBER 31, 2020**

<u>State Grantor/Pass-through Grantor/Program Title</u>	<u>State Appropriation Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>	<u>Sub Recipient Expenditures</u>	<u>Cumulative Expenditures</u>
State of New Jersey Department of Environmental Protection Passed Through New Jersey Infrastructure Bank New Jersey Infrastructure Bank Sewerage Facility Construction Cluster:					
NJ Environmental Infrastructure Trust - New Main Pump Station	S340 117-10	N/A	\$ 2,343,459	\$ -	\$ 2,885,199
NJ Environmental Infrastructure Trust - Pump Station 12 Upgrades	S340 117-09	N/A	61,714	-	82,435
Total State Financial Assistance			\$ 2,405,173	\$ -	\$ 2,967,634

See Accompanying Notes to Schedule of Expenditures of State Financial Assistance

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Schedule of Expenditures of State Financial Assistance
For the Year Ended October 31, 2020

Note 1. General

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

Note 2. Summary of Significant Account Policies

The accompanying schedule of expenditures of state financial assistance is presented on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of New Jersey OMB's Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

Note 3. Relationship to Basic Financial Statements

Amounts reported in the accompanying schedules agree with amounts reported in the Authority's financial statements.

Note 4. Relationship to State Financial Reports

Amounts reported in the accompanying schedules agree with the amounts reported in the related state financial reports, where applicable.

Note 5. State Loans Outstanding

The Authority had outstanding state loan balances of \$2,885,199 as of October 31, 2020. The entire balance of outstanding state loans was owed to the New Jersey Infrastructure Bank.

**TWO RIVERS WATER RECLAMATION AUTHORITY
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED OCTOBER 31, 2020**

Section 1 - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal Control over financial reporting:

1) Material weakness(es) identified? _____ Yes X No

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X No

Noncompliance material to basic financial statements noted? _____ Yes X No

State Awards

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

Auditee qualified as low-risk auditee? _____ Yes X No

Internal Control over major programs:

1) Material weakness(es) identified? _____ Yes X None reported

2) Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

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

Any audit findings disclosed that are required to be reported in accordance with NJOMB Circular Letter 15-08 as applicable? _____ Yes X None reported

Identification of major state programs:

State Grant/Project Number(s)	Name of State Program
S340 117-10, S340 117-09	NJ Environmental Infrastructure Bank Sewerage Facility Construction Cluster

Section II - Financial Statement Findings

NONE

Section III - State Financial Assistance Findings and Questioned Costs

NONE

**TWO RIVERS WATER RECLAMATION AUTHORITY
SUMMARY SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
AND QUESTIONED COSTS AS PREPARED BY MANAGEMENT
FOR THE YEAR ENDED OCTOBER 31, 2020**

STATUS OF PRIOR YEAR FINANCIAL STATEMENT FINDINGS

Finding #2019-001

Condition: Although the Authority has certain control policies and procedures in place that are intended to provide management with reasonable assurance of meeting the control objective of an effective financial statement close process that results in a set of accurate underlying accounting records, they are not monitored effectively. The intent of monitoring is to evaluate the degree of compliance or noncompliance with such control policies or procedures.

Current Status: The prior year finding has been corrected.

Finding #2019-002

Condition: Although the Authority has certain control policies and procedures in place that are intended to provide management with reasonable assurance of meeting the control objective of an effective cut-off process that results in the accurate recording of accounts payable, they are ineffective due to the absence of adequate monitoring procedures intended to evaluate the degree of compliance or noncompliance with such control policies or procedures.

Current Status: The prior year finding has been corrected.

STATUS OF PRIOR YEAR STATE FINANCIAL ASSISTANCE FINDINGS

Not Applicable – No single audit for the year ended October 31, 2019.

Other Information

TWO RIVERS WATER RECLAMATION AUTHORITY

ROSTER OF OFFICIALS

YEAR ENDED OCTOBER 31, 2020

UNAUDITED

<u>Name</u>	<u>Title</u>	<u>Surety Bond</u>
Barry J. Berdahl, Ph. D	Chairman	A, B
Thomas B. Barham	Vice Chairman	A, B
Michael A. MacStudy	Treasurer	A
Scott Hartman	Secretary	A
Richard N. Tocci	Assistant Treasurer	A
Jonathan Peters	Assistant Secretary	A
John Bonforte	Member	A
Gregory J. Christoper	Member	A
James F. Mazza	Member	A
Eric R. Jaeger	Member	A
Brian McPeak	Member	A
Jason N. Sena	Member	A
Michael A. Gianforte, P.E.	Executive Director	A, B, C
Birdsall and Laughlin, LLC	Attorney	
Paulus, Sokolowski & Sartor, LLC	Engineer	

Surety Coverages:

- A. Municipal Excess Liability Joint Insurance Fund: Public Officials Liability/Employment Practices. \$5,000,000 in the aggregate on claims made basis per member local unit for each find this year subject to a deductible and coinsurance. There is a combined POL/EPL \$5,000,000 per member annual aggregate.
- B. Municipal Excess Liability Joint Insurance Fund: Excess Public Officials Bond. \$950,000 in the aggregate.
- C. Municipal Excess Liability Joint Insurance Fund: Public Officials Bond. Blanket Bond All Employees \$50,000

TWO RIVERS WATER RECLAMATION AUTHORITY

INSURANCE COVERAGE

YEAR ENDED OCTOBER 31, 2020

UNAUDITED

A blanket policy issued by the New Jersey Utility Authorities Joint Insurance Fund for a one-year period expiring on January 1, 2021, payable semi-annually was in force during the period under audit. The following coverages were provided:

Commercial Property Package	\$	150,000,000
Other Coverages in Effect:		
Underground & Outfall Pipe		5,000,000
Mobile Equipment		5,000,000
Business Auto		10,000,000
Uninsured Motorists		15,000 / 30,000
Commercial General Liability		10,000,000
Public Official Liability		10,000,000
Boiler and Machinery		150,000,000
Crime Coverage		50,000
Cyber Security		10,000,000
Worker's Compensation		Statutory
Environmental Liability - Third Party		1,000,000
Travel Accident Insurance (Commissioners)		500,000
Flood / Administration Building		500,000
Flood / Administration Building Contents		500,000
Flood / Locations Outside 100 Year Floodplain		10,000,000
Flood / Locations Inside 100 Year Floodplain		No Coverage

All of the insurance policies in force were examined. No attempt was made to determine the adequacy of coverage as part of this report. Adequacy of coverage is the responsibility of the Authority. Insurance coverages continued uninterrupted through the date of this report.

**TWO RIVERS WATER RECLAMATION AUTHORITY
PROJECT ACTIVITY SCHEDULE
YEAR ENDED OCTOBER 31, 2020
Unaudited**

Contract Number	Project	Account Number	Amount Billed to Customer Towns	Total Project Cost	Cost		
					Legal	Engineering	Construction
155A	Pump Station 12 Electrical Upgrades	104-004	\$ 265,241	\$ 347,677	\$ -	\$ 160,860	\$ 186,817
N/A	Fort Monmouth Sewer Replacement	104-009	-	575,155	40,577	522,378	12,200
181	Main Pump Station Replacement	104-014	-	3,581,203	26,425	3,480,038	74,740
179/184/185	Electrical Substation Repairs	104-018	34,100	264,957	-	4,700	260,257
183	RAS Pipe Reconstruction	104-019	229,712	563,606	-	71,717	491,889
182	Plant PLC Hardware	104-021	-	430,180	-	-	430,180
189	Pump Station 12	104-024	-	-	-	-	-
169A	Major Interceptor Rehab	104-025	-	-	-	-	-
195	Grinder Installation/Channel Grinder PS# 3, 5, 12 & 13	104-026	-	-	-	-	-
190	WAS Piping Replacement/Pump & Motor Repair	104-027	-	-	-	-	-
199	Odor Control System	104-028	-	-	-	-	-
Totals			<u>\$ 529,053</u>	<u>\$ 5,762,778</u>	<u>\$ 67,002</u>	<u>\$ 4,239,693</u>	<u>\$ 1,456,083</u>

Note: This Project Activity Schedule includes all Projects in Excess of \$50,000 from Fiscal Year 2017 through Fiscal Year 2020.

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
FISCAL YEAR ENDED OCTOBER 31, 2020**

GENERAL COMMENTS

An audit of the financial accounts and transactions of the Two Rivers Water Reclamation Authority, County of Monmouth, New Jersey, for the fiscal year ended October 31, 2020, has been completed. The General Comments are herewith set forth:

Cash Balances

Cash and investment balances were reconciled with independent certifications obtained directly from the depositories.

Contracts and Agreements Requiring Advertisement for Bids

N.J.S.A.40A:11-4 - Every contract or agreement, for the performance of any work or furnishing or hiring of any materials or supplies, the cost or the contract price whereof is to be paid with or out of public funds not included within the terms of Section 3 of this act, shall be made or awarded only by the governing body of the contracting unit after public advertising for bids and bidding therefore, except as is provided otherwise in this act or specifically by any other Law. No work, materials or supplies shall be undertaken, acquired or furnished for a sum exceeding in the aggregate \$40,000 (through June 30, 2020) and \$44,000 (effective July 1, 2020) except by contract or agreement.

It is pointed out that the Members of the Authority have the responsibility of determining whether the expenditures in any category will exceed the statutory minimum within the fiscal year. Where question arises as to whether any contract or agreement might result in violation of the statute, the solicitor's opinion should be sought before a commitment is made.

In as much as the system of records did not provide for an accumulation of payments for categories for the performance of any work or the furnishing or hiring of any materials or supplies, the results of such an accumulation could not reasonably be ascertained. Disbursements were reviewed, however, to determine whether any clear-cut violations existed. The results of our examination did not disclose any discrepancies.

The minutes indicate that bids were requested by public advertising and awarded by resolution for the various projects in the current fiscal year.

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

GENERAL COMMENTS (continued)

Payment of Claims and Purchase Order/Encumbrance Accounting System

Claims were examined on a test basis for the year under review. Compliance was adequate.

The Authority utilizes an encumbrance accounting system within its general ledger accounting system. This system provides for the development and implementation of accounting transactions that includes the capability to reflect the commitment of funds at the point of commitment. In minor instances, the use of confirming orders was noted.

A test of employees' compensation and payroll deductions for the year ended October 31, 2020 and for those employees tested, no exceptions were noted except for the following:

Finding 2020-001:

Condition: Employees' payroll deductions for several employees' health insurance were withheld in incorrect amounts.

Criteria: Chapter 78, P.L. 2011.

Cause: Infrequent calculation of health benefit deductions.

Recommendation: The payroll deductions for employees' contributions for health insurance be compliant with the requirements of Chapter 78, P.L. 2011.

Authority Response: The Authority estimates the value of this difference as being immaterial and is now clear on the statutory requirements.

Finding 2020-002:

Condition: Purchase orders were dated after invoice dates in several instances, indicating confirming orders.

Criteria: An encumbrance system is required by New Jersey regulation.

Cause: The Authority sometimes has immediate needs for items which precluded following the purchase order and encumbrance procedures.

Recommendation: It is recommended the Authority encumber funds and issue purchase orders prior to acquiring goods and services.

Authority Response: The Authority will reinforce to all employees that every purchase needs to be approved and a purchase order issued before acquisition of the goods or services occurs.

GENERAL COMMENTS (continued)

Property, Plant & Equipment

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

Budget Adoption

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. In accordance with the Bond Resolution, Section 610, the Authority adopted annual operating budgets for the fiscal years ending October 31, 2020 and 2019.

Follow-Up of Prior Years' Findings

In accordance with *Government Auditing Standards*, our procedures included a review of all prior year findings. Corrective action has been taken on all prior year findings, except for 2019-002 and 2019-004, which are repeated as 2020-001 and 2020-002 above.

ACKNOWLEDGMENT

During the course of our engagement we received the complete cooperation of the various officials and employees of the Authority, and the courtesies extended to us were greatly appreciated.

Very truly yours,

PKF O'Connor Davies, LLP
PKF O'Connor Davies, LLP