

**TWO RIVERS WATER RECLAMATION AUTHORITY**

**FINANCIAL STATEMENTS AND  
SUPPLEMENTARY INFORMATION**

**YEARS ENDED OCTOBER 31, 2021 AND 2020**

**TWO RIVERS WATER RECLAMATION AUTHORITY  
YEARS ENDED OCTOBER 31, 2021 AND 2020**

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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 years ended October 31, 2021 and 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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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, 2021 and 2020, 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**

*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 comparative schedule of revenues and expenses compared to budget, schedule of long-term revenue bonds 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 schedules of expenditures of federal awards and state financial assistance, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200 Uniform Administrative Requirements, Cost Principles and Audit Requirements for Federal Awards (Uniform Guidance) and New Jersey OMB's Circular 15-08, Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid are also presented for purposes of additional analysis and are not a required part of the basic financial statements.

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

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 1, 2023, 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 1, 2023

**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, 2021 and 2020.

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 Revenues and Expenses Compared to Budget (Schedule V). 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 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 \$3,653,111 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 \$597,930 due mainly to an increase in the construction loan payable. Assets and deferred outflows exceeded liabilities and deferred inflows by \$67,606,979. This compares to 2020 where assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$64,551,798.

The Authority’s Net Position of \$67,606,979 is comprised of the following:

Net investment in capital assets of \$63,099,356, 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 decreased by \$1,115,277 from the prior year.

Capital Assets - Net	\$ 71,255,609
Less:	
Construction Loan	(5,433,113)
Revenue Bonds Payable, Net of Unamortized Premium	<u>(2,723,140)</u>
Net Investment in Capital Assets	<u>\$ 63,099,356</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 \$(682,377) 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 deficit net position increased by \$4,170,458 mainly due to the change in net position, of \$3,055,181 offset by the decrease in the net investment in capital assets of \$(1,115,277).

	2021	2020	2019	Increase (Decrease) 2020 to 2021	Increase (Decrease) 2019 to 2020
Total current assets	\$ 5,705,839	\$ 7,201,033	\$ 5,686,054	-20.76%	26.64%
Total restricted assets	20,259,148	15,984,915	16,582,348	26.74%	-3.60%
Capital assets, net	71,255,609	70,056,751	68,886,971	1.71%	1.70%
Deferred outflows of resources	2,752,217	3,077,003	1,731,428	-10.56%	77.71%
<b>Total Assets and Deferred Outflows of Resources</b>	<b>\$ 99,972,813</b>	<b>\$ 96,319,702</b>	<b>\$ 92,886,801</b>	3.79%	3.70%
Total current liabilities payable from unrestricted assets	\$ 2,986,356	\$ 3,097,996	\$ 2,587,337	-3.60%	19.74%
Total current liabilities payable from restricted assets	5,763,682	3,266,786	3,640,581	76.43%	-10.27%
Unemployment claims reserve	64,055	64,055	64,055	0.00%	0.00%
Compensated absences payable	316,715	353,751	334,288	-10.47%	5.82%
Net pension liability	4,572,315	6,526,116	7,249,792	-29.94%	-9.98%
Net OPEB liability	8,697,314	8,267,107	5,935,347	5.20%	39.29%
Long term obligations, net	2,484,361	2,723,140	2,957,925	-8.77%	-7.94%
Deferred inflows of resources	7,481,036	7,468,953	8,196,468	0.16%	-8.88%
<b>Total Liabilities and Deferred Inflows of Resources</b>	<b>\$ 32,365,834</b>	<b>\$ 31,767,904</b>	<b>\$ 30,965,793</b>	1.88%	2.59%
<b>Total Net Position</b>	<b>\$ 67,606,979</b>	<b>\$ 64,551,798</b>	<b>\$ 61,921,008</b>	4.73%	4.25%

Total current assets have decreased mainly because of the decreases in current unrestricted cash.

Total restricted assets have increased because of the increases 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 decreased because of a decrease in accrued expenses.

Total current liabilities payable from restricted assets have increased due to the increase in the construction loan payable to the New Jersey Infrastructure Bank.

Compensated absences payable decreased in relation to employee retirements during the fiscal year.

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 increased due to the requirements of GASB Statement Nos. 68 and 71.

The net OPEB liability increased and related deferred outflows increased and deferred inflows of resources decreased 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 \$609,741 or 8.93% while operating revenues from participating municipalities increased by \$364,439 or 6.00%. Total operating revenues decreased by \$245,302 or 1.90% from 2020 levels.

Total operating expenses were lower in 2021 than 2020, mainly due to decreases in administration and general expenses. Total operating revenues less total operating expenses produced operating income of \$1,787,568, which is more than 2020 operating income of \$1,460,622.

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

	2021	2020	2019	Increase (Decrease) 2020 to 2021	Increase (Decrease) 2019 to 2020
Total operating revenues	\$ 12,659,972	\$ 12,905,274	\$ 13,121,996	-1.90%	-1.65%
Operating expenses	7,486,581	8,181,480	8,156,185	-8.49%	0.31%
Depreciation	3,385,823	3,263,172	3,142,724	3.76%	3.83%
Total operating expenses	10,872,404	11,444,652	11,298,909	-5.00%	1.29%
Operating income	1,787,568	1,460,622	1,823,087	22.38%	-19.88%
Nonoperating revenues (expenses), net	1,267,613	1,170,168	858,884	8.33%	36.24%
Change in Net Position	3,055,181	2,630,790	2,681,971	16.13%	-1.91%
Total net position - beginning	64,551,798	61,921,008	59,239,037	4.25%	4.53%
Total net position - ending	\$ 67,606,979	\$ 64,551,798	\$ 61,921,008	4.73%	4.25%

## **Comparative Statements of Cash Flows**

The net increase in cash and cash equivalents was \$3,081,642 in 2021. This compares to a net increase in cash and cash equivalents in 2020 of \$2,340,957. The main reason for the 2021 increase in cash is due to the net cash provided by operating activities offset by cash used in investing activities.

## **Debt Administration**

As of October 31, 2021, the Authority had \$16,373,539 of long-term liabilities. Of this amount, \$316,715 is for compensated absences, \$64,055 is for an employment claims reserve, \$2,680,000 is for revenue bonds payable \$43,140 represents an unamortized bond premium, \$8,697,314 is for the net OPEB liability and \$4,572,315 relates to the net pension liability. As of October 31, 2020, the Authority had \$18,167,948 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. An additional temporary construction loan from the New Jersey Infrastructure Bank was issued in 2021 to fund the construction of major interceptor and pump station improvements. See Note 4 to the basic financial statements for additional information.

### **Capital Assets**

As of October 31, 2021 and 2020, the Authority had \$71,255,609 and \$70,056,751 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 2021 budget. Significant variations between final budgeted amounts and actual expenses occurred in the following budgetary line items: Administrative – Salaries and Wages, 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 2021 budget of \$13 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, LLP, 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](http://www.trwra.org).

## **Basic Financial Section**

**TWO RIVERS WATER RECLAMATION AUTHORITY  
STATEMENTS OF NET POSITION  
OCTOBER 31, 2021 AND 2020**

<b>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</b>	2021	2020
<b>CURRENT ASSETS</b>		
Cash	\$ 2,115,018	\$ 4,484,117
Inventory	26,223	12,092
Sewer Billings Receivable	2,139,792	2,097,142
Other Accounts Receivable	52,525	82,435
Intergovernmental Accounts Receivable - Federal	1,372,281	525,247
Total Current Assets	5,705,839	7,201,033
<b>RESTRICTED ASSETS</b>		
Revenue fund - Unemployment cash and cash equivalents	98,418	98,418
Escrow deposits: Cash and cash equivalents	170,853	165,287
Bond service account: Cash and cash equivalents	31,104	33,754
Bond reserve account: Cash and cash equivalents	100,003	100,003
General account: Cash and cash equivalents	8,388,327	4,971,399
General account: Investments	7,389,529	6,052,124
General account: Accrued Interest Receivable	15,625	49,082
Construction account: Cash and cash equivalents	2,159,017	128,276
Construction account: NJIB Drawdown Receivable	404,743	2,885,199
Renewal and replacement account: Cash and cash equivalents	1,501,529	1,501,373
Total Restricted Assets	20,259,148	15,984,915
<b>NONCURRENT ASSETS</b>		
Capital Assets - Non-depreciable	9,676,927	6,595,872
Capital Assets - Net of depreciation	61,578,682	63,460,879
Total Noncurrent Assets	71,255,609	70,056,751
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension deferrals	493,090	1,179,768
OPEB deferrals	2,259,127	1,897,235
Total Deferred Outflows of Resources	2,752,217	3,077,003
Total Assets and Deferred Outflows of Resources	\$ 99,972,813	\$ 96,319,702

See accompanying notes to financial statements.



**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**STATEMENTS OF NET POSITION**  
**OCTOBER 31, 2021 AND 2020**

	2021	2020
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION</b>		
<b>CURRENT LIABILITIES</b>		
Accounts Payable	\$ 1,661,569	\$ 1,627,147
Accrued Expenses	245,828	420,832
Customer Overpayments	67,409	66,366
Unearned Revenue	1,011,550	983,651
Total Current Liabilities payable from Unrestricted Assets	2,986,356	3,097,996
Reserve for Developers' Deposits	68,074	121,888
Accrued Interest on Bonds Payable	23,716	25,920
NJIB Temporary Construction Loan	5,433,113	2,885,199
Revenue Bonds Payable - Current Portion	238,779	233,779
Total Current Liabilities payable from Restricted Assets	5,763,682	3,266,786
<b>NONCURRENT LIABILITIES</b>		
Net Pension Liability	4,572,315	6,526,116
Net OPEB Liability	8,697,314	8,267,107
Long-term Revenue Bonds Payable, net	2,484,361	2,723,140
Unemployment Claims Reserve	64,055	64,055
Compensated Absences Payable	316,715	353,751
Total Noncurrent Liabilities	16,134,760	17,934,169
Total Liabilities	24,884,798	24,298,951
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension deferrals	3,144,607	2,840,355
OPEB deferrals	4,336,429	4,628,598
Total Deferred Inflows of Resources	7,481,036	7,468,953
<b>NET POSITION</b>		
Net Investment in Capital Assets	63,099,356	64,214,633
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)	(682,377)	(4,852,835)
Total Net Position	67,606,979	64,551,798
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 99,972,813	\$ 96,319,702

See accompanying notes to financial statements.

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION**  
**YEARS ENDED OCTOBER 31, 2021 AND 2020**

	2021	2020
<b>OPERATING REVENUES</b>		
Customer Municipalities - Annual Charges	\$ 6,221,240	\$ 6,830,981
Participating Municipalities - Service Charges	6,438,732	6,074,293
Total Operating Revenues	12,659,972	12,905,274
<b>OPERATING EXPENSES</b>		
Administration and General	1,030,072	1,930,328
Treatment Plant and Main Pumping Station	5,133,824	5,245,748
Lines and System Pumping Stations	1,322,685	1,005,404
Depreciation	3,385,823	3,263,172
Total Operating Expenses	10,872,404	11,444,652
<b>NET OPERATING INCOME</b>	1,787,568	1,460,622
<b>NONOPERATING REVENUES/(EXPENSES)</b>		
Interest on Bonds	(61,112)	(153,946)
Interest Income	131,090	243,903
Federal Emergency Management Agency	899,560	525,246
Connection Fees	211,440	112,700
Miscellaneous Income	86,635	442,265
Total Nonoperating Revenues/(Expenditures)	1,267,613	1,170,168
<b>CHANGES IN NET POSITION</b>	3,055,181	2,630,790
Net Position - Beginning of Year	64,551,798	61,921,008
<b>NET POSITION - END OF YEAR</b>	\$ 67,606,979	\$ 64,551,798

*See accompanying notes to financial statements.*

**TWO RIVERS WATER RECLAMATION AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED OCTOBER 31, 2021 AND 2020**

	<u>2021</u>	<u>2020</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Receipts from Members and Customers	\$ 12,685,627	\$ 11,686,882
Payments to Employees	(4,438,027)	(4,610,563)
Payments to Suppliers	<u>(4,383,955)</u>	<u>(3,505,801)</u>
Net Cash Provided by Operating Activities	<u>3,863,645</u>	<u>3,570,518</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>		
Purchase of Capital Assets	(4,584,681)	(4,432,952)
Proceeds from Loan Issuance	5,028,370	-
Repayment of Revenue Bonds Payable	(230,000)	(3,481,400)
Developer's Escrow Funds Received/(Returned)	(53,814)	16,732
Net Cash Provided/(Used) by Capital and Related Financing Activities	<u>159,875</u>	<u>(7,897,620)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest Received	164,547	202,453
Interest Paid of Revenue Bonds	(67,094)	(183,057)
(Purchase) of Investment Securities	(15,785,787)	(9,670,365)
Redemption of Investment Securities	<u>14,448,381</u>	<u>15,764,063</u>
Net Cash (Used)/Provided by Investing Activities	<u>(1,239,953)</u>	<u>6,113,094</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>		
Connection Fees	211,440	112,700
Miscellaneous Income	<u>86,635</u>	<u>442,265</u>
Net Cash Provided by Noncapital Financing Activities	<u>298,075</u>	<u>554,965</u>
<b>NET INCREASE IN CASH</b>	3,081,642	2,340,957
Cash - Beginning of Year	<u>11,482,627</u>	<u>9,141,670</u>
<b>CASH - END OF YEAR</b>	<u>\$ 14,564,269</u>	<u>\$ 11,482,627</u>

**TWO RIVERS WATER RECLAMATION AUTHORITY  
STATEMENTS OF CASH FLOWS  
YEARS ENDED OCTOBER 31, 2021 AND 2020**

	2021	2020
<b>RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES</b>		
Net Operating Income	\$ 1,787,568	\$ 1,460,622
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,385,823	3,263,172
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:		
(Increase)/Decrease in Receivables and Other Assets - Unrestricted	25,655	(1,218,392)
Increase in Current Liabilities - Payable from Unrestricted Assets	(159,535)	419,674
Increase/(Decrease) in Other Liabilities and Deferrals:		
Other Liabilities	(8,094)	20,555
Accounts Payable - Pension	18,953	89,893
Net Pension Liability	(1,953,801)	(723,676)
Net OPEB Liability	430,207	2,331,760
Deferred Outflow - Pension Deferrals	686,678	546,771
Deferred Outflow - OPEB Deferrals	(361,892)	(1,892,346)
Deferred Inflow - Pension Deferrals	304,252	4,761
Deferred Inflow - OPEB Deferrals	(292,169)	(732,276)
Net Cash Provided by Operating Activities	\$ 3,863,645	\$ 3,570,518
<b>RECONCILIATION TO STATEMENT OF NET POSITION:</b>		
Unrestricted Cash and Cash Equivalents	\$ 2,115,018	\$ 4,484,117
Restricted Cash and Cash Equivalents	12,449,251	6,998,510
	\$ 14,564,269	\$ 11,482,627

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2021 and 2020**

**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, 2021 and 2020**

**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, 2021 or 2020, respectively.

**Inventories:**

Inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. At October 31, 2021 and 2020, the value of the inventory, not held for resale, consisting of diesel fuel on hand, was \$26,223 and \$12,092, respectively.

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2021 and 2020**

**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, 2021 and 2020**

**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. 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 will be effective for the Authority's October 31, 2022 financial statements. 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.



**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2021 and 2020**

**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 assets 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 assets 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, 2021 through the date of the financial statements were available for issuance, February 1, 2023, for possible disclosure and recognition in the accompanying financial statements. Other than the matter described in Note 13, no items have come to the attention of the Authority which would require disclosure or recognition.

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2021 and 2020**

**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, 2021, the carrying amount of the Authority's deposits was \$14,564,269 and the bank balance was \$14,584,712. Of the bank balance, \$420,853 was insured with Federal Deposit Insurance Corporation and \$14,163,859 was covered by GUDPA. 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 and \$11,276,557 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, 2021 and 2020**

**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, and bonds or obligations of local units, 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.
- Certificates of deposit which meet conditions noted in New Jersey Statute Title 40A:5-14.

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

*Credit Risk* – As of October 31, 2021 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, 2021 and 2020.

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2021 and 2020**

**2. Deposits and Investments - (Continued)**

Description of Investment	Interest Rates	Balance as of October 31, 2021
Bond Anticipation Notes:		
Borough of Caldwell	0.41%	\$ 772,451
Borough of Fanwood	0.38%	1,295,000
Borough of Frenchtown	0.45%	1,285,183
Borough of Roseland	0.28%	1,791,600
Hudson County Improvement Authority	1.50%	502,995
Township of Greenbrook	0.64%	1,100,000
Township of Vernon	0.75%	419,504
Total Bond Anticipation Notes		7,166,733
Certificate of Deposit	Variable	222,796
Grand Total		\$ 7,389,529

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

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, 2021 and 2020**

**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, 2021 and 2020:

<b>Assets at Fair Value as of October 31, 2021</b>		
	Level 2	Total
Held to maturity securities:		
Bond Anticipation Notes	\$ 7,166,733	\$ 7,166,733
Certificate of Deposit	222,796	222,796
Total	\$ 7,389,529	\$ 7,389,529

<b>Assets at Fair Value as of October 31, 2020</b>		
	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

As of October 31, 2021 and 2020, 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, 2021 and 2020**

**3. Capital Assets**

The following schedule is a summarization of the changes in capital assets for the years ended October 31, 2021 and 2020.

October 31, 2021

	Beginning Balance	Additions	Transfers and Deletions	Ending Balance
Capital assets, not being depreciated:				
Construction in Progress	\$ 4,658,751	\$ 4,323,003	\$ (1,241,948)	\$ 7,739,806
Land	1,937,121	-	-	1,937,121
Total capital assets, not being depreciated	<u>6,595,872</u>	<u>4,323,003</u>	<u>(1,241,948)</u>	<u>9,676,927</u>
Capital assets, being depreciated:				
Buildings and improvements	15,583,265	-	-	15,583,265
Other improvements	73,162,649	-	-	73,162,649
Sewer mains and interceptors	32,701,470	-	-	32,701,470
Pump stations	8,940,088	127,352	137,815	9,205,255
Other equipment	6,184,733	64,228	1,082,849	7,331,810
Vehicles	1,337,426	91,382	-	1,428,808
Total assets being depreciated	<u>137,909,631</u>	<u>282,962</u>	<u>1,220,664</u>	<u>139,413,257</u>
Accumulated depreciation	<u>(74,448,752)</u>	<u>(3,385,823)</u>	<u>-</u>	<u>(77,834,575)</u>
Total capital assets, being depreciated, net	<u>63,460,879</u>	<u>(3,102,861)</u>	<u>1,220,664</u>	<u>61,578,682</u>
Net capital assets	<u>\$ 70,056,751</u>	<u>\$ 1,220,142</u>	<u>\$ (21,284)</u>	<u>\$ 71,255,609</u>

October 31, 2020

	Beginning Balance	Additions	Transfers and Deletions	Ending Balance
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>

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2021 and 2020**

**4. Long-term liabilities**

During the year ended October 31, 2021, the following changes occurred in long-term liabilities.

	Beginning Balance	Increases	Decreases	Ending Balance
Revenue bonds payable	\$ 2,910,000	\$ -	\$ 230,000	\$ 2,680,000
Unamortized premium	46,919	-	3,779	43,140
	<u>2,956,919</u>	<u>-</u>	<u>233,779</u>	<u>2,723,140</u>
Unemployment claims reserve	64,055	-	-	64,055
Compensated absences	353,751	39,921	76,957	316,715
Sub-total	<u>3,374,725</u>	<u>39,921</u>	<u>310,736</u>	<u>3,103,910</u>
Net OPEB liability	8,267,107	430,207	-	8,697,314
Net pension liability	6,526,116	-	1,953,801	4,572,315
Total	<u>\$ 18,167,948</u>	<u>\$ 470,128</u>	<u>\$ 2,264,537</u>	<u>\$ 16,373,539</u>
Current Portion	<u>\$ 233,779</u>			<u>\$ 238,779</u>

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>
Unemployment claims reserve	64,055	-	-	64,055
Compensated absences	334,288	258,449	238,986	353,751
Sub-total	<u>6,842,450</u>	<u>258,449</u>	<u>3,726,174</u>	<u>3,374,725</u>
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>\$ 20,027,589</u>	<u>\$ 2,590,209</u>	<u>\$ 4,449,850</u>	<u>\$ 18,167,948</u>
Current Portion	<u>\$ 3,486,182</u>			<u>\$ 233,779</u>

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2021 and 2020**

**4. Long-term liabilities – (Continued)**

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 \$235,000 to \$320,000. Interest rates range from 2.25% to 2.5%.

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. Subsequent to year end, the loan for the construction of a new main pump station was increased to an amount not to exceed \$90,000,000. On November 11, 2020, the Authority was awarded a second interest free construction loan of up to \$4,000,000 by the New Jersey Infrastructure Bank in order to fund the construction of the Authority’s interceptor and Pump Station 12 upgrades. As of October 31, 2021 and 2020, the Authority drew down \$5,433,113 and \$2,885,199, respectively, on these construction loans. 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. Aggregate long-term debt outstanding is as follows:

<u>Fiscal</u> <u>Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	260,000	40,381	300,381
2027-2031	1,450,000	108,756	1,558,756
	\$ 2,680,000	\$ 365,787	\$ 3,045,787

**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 \$316,715 and \$353,751 as of October 31, 2021 and 2020, respectively.



**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2021 and 2020**

**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.

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, 2021, 2020 and 2019 were \$452,008, \$437,793 and \$392,687, respectively, equal to the required contributions for each year.

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2021 and 2020**

**6. Pension Plans – (Continued)**

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

Public Employees' Retirement System (PERS)

At October 31, 2021 and 2020, the Authority reported a liability of \$4,572,315 and \$6,526,116, respectively, for its proportionate share of the net pension liability. The October 31, 2021 net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at July 1, 2020, which was rolled forward to June 30, 2021. 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 members of the Non-State Employer Group, actuarially determined. At June 30, 2021, the Authority's proportion was 0.03859634 percent, which was a decrease of 0.0014230553 percent from its proportion measured as of June 30, 2019 of 0.0400193953 percent. For the years ended October 31, 2021 and 2020, the Authority recognized full accrual pension (credit)/expense of \$(943,919) and \$281,124, respectively, in the financial statements.

At October 31, 2021 and 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	<b>2021</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ 23,813	\$ 1,627,774
Net difference between projected and actual investment earnings on pension plan investments	72,111	1,204,468
Changes in proportion	246,497	279,633
Difference between expected and actual experience	-	32,732
Authority contributions subsequent to the measurement date	150,669	-
	<b>\$ 493,090</b>	<b>\$ 3,144,607</b>

	<b>2020</b>	
	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
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	-
	<b>\$ 1,179,768</b>	<b>\$ 2,840,355</b>

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
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**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, 2021, \$150,669 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
2022	\$ (988,536)
2023	(783,260)
2024	(582,396)
2025	(442,410)
2026	(5,584)
Total	<u>\$ (2,802,186)</u>

*Actuarial Assumptions*

The collective total pension liability for the June 30, 2021 measurement date was determined by an actuarial valuation as of July 1, 2020, which was rolled forward to June 30, 2021. 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, 2021 and 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%

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
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**6. Pension Plans – (Continued)**

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

*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, 2020 and 2019 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.

*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, 2021 and 2020) 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, 2021 and 2020 are summarized in the following tables:

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2021 and 2020**

**6. Pension Plans - (Continued)**

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

2021		
Asset Class	Target Allocation	Long Term Expected Real Rate of Return
US Equity	27.00%	8.09%
Non-U.S. Developed Markets Equity	13.50%	8.71%
Emerging Markets Equity	5.50%	10.96%
Private Equity	13.00%	11.30%
Real Assets	3.00%	7.40%
Real Estate	8.00%	9.15%
High Yield	2.00%	3.75%
Private Credit	8.00%	7.60%
Investment Grade Credit	8.00%	1.68%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	0.95%
Risk Mitigation Strategies	3.00%	3.35%
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**  
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**6. Pension Plans - (Continued)**

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

*Discount rate*

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2021 and June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

*Sensitivity of the 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, 2021 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:

	At 1% Decrease	At Current Discount Rate (7.00%)	At 1% Increase
PERS	\$6,226,566	\$ 4,572,315	\$ 3,168,449

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:

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

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
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**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, 2021 and 2020 were \$35,707,804,636 and \$29,045,369,302, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2021 and 2020 was \$28,386,785,177 and \$22,997,176,445, respectively.

*Additional Information*

Collective balances of the Local Group at the end of the current measurement period, June 30, 2021 are as follows:

Collective deferred outflows of resources	\$ 1,164,738,169
Collective deferred inflows of resources	8,339,123,762
Collective net pension liability	11,972,782,878
Authority's Proportion	0.0385963400%

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	7,849,949,467
Collective net pension liability	16,435,616,426
Authority's Proportion	0.0400193953%

Collective Local Group pension expense for the Local Group for the measurement period ended June 30, 2021 and 2020 was \$(1,599,674,464) and \$407,705,399, respectively. The average of the expected remaining service lives of all plan members is 5.13, 5.16, 5.21, 5.63, 5.48, and 5.57 years for the 2021, 2020, 2019, 2018, 2017, and 2016 amounts, respectively.

*State Contribution Payable Dates*

Consistent with Chapter 83, P.L. 2016, it is assumed that the State will make pension contributions in equal amounts at the end of each quarter. This assumption does not apply to the fiscal year ending June 30, 2022 contribution that was paid in full at the beginning of the fiscal year.

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
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**Years Ended October 31, 2021 and 2020**

**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, 2021 and June 30, 2020 are \$1,207,896,120 and \$1,144,889,253, 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, 2021 and 2020, the Authority reported a liability of \$8,697,314 and \$8,267,107, respectively for its proportionate share of the net OPEB liability. The net OPEB liability as of October 31, 2021 was determined by an actuarial valuation as of June 30, 2020 which was rolled forward to June 30, 2021. 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 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, 2021 and 2020, the Authority's proportion was 0.048319 and 0.046065 percent, respectively.

For the year ended October 31, 2021, the Authority recognized OPEB benefit of \$(223,854). At October 31, 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:



**TWO RIVERS WATER RECLAMATION AUTHORITY**  
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**7. Postemployment Benefits Other Than Pensions (OPEB) - (Continued)**

	Deferred Outflows Of Resources	Deferred Inflows Of Resources
Changes between expected and actual experience	\$ 195,157	\$ 1,819,607
Changes of assumptions	1,251,135	1,537,352
Changes in proportion	808,676	979,470
Net difference between projected and actual investment earnings on OPEB plan investments	4,159	-
	<u>\$ 2,259,127</u>	<u>\$ 4,336,429</u>

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:

	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	-
	<u>\$ 1,897,235</u>	<u>\$ 4,628,598</u>

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

Year ending October 31,	Amount
2022	\$ (648,964)
2023	(649,619)
2024	(650,145)
2025	(324,410)
2026	(12,479)
Thereafter	<u>208,315</u>
Total	<u><u>\$(2,077,302)</u></u>

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
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**7. Postemployment Benefits Other Than Pensions (OPEB) – (Continued)**

*Discount Rate*

The discount rate for June 30, 2021 and 2020 was 2.16% and 2.21%, 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, 2021 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, 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.

*Health Care Trend Assumptions*

For pre-Medicare medical benefits, the trend is initially 5.65% and decreases to a 4.5% long-term trend rate after seven 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 6.75% and decreases to a 4.5% long-term trend rate after seven 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, 2021 calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (1.16%)	June 30, 2021 At Discount Rate (2.16%)	1% Increase (3.16%)
Total Net OPEB Liability	\$ 21,182,289,882	\$ 17,999,781,235	\$ 15,477,574,697
Authority's Share	\$ 10,235,070	\$ 8,697,314	\$ 7,478,609

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
**Years Ended October 31, 2021 and 2020**

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

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 trend rate:

	1% Decrease (1.21%)	June 30, 2020 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, 2021 calculated using a healthcare cost trend rate that is 1-percentage-point lower or 1-percentage-point higher than the current trend rate:

	1% Decrease	June 30, 2021 Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability	\$ 15,017,879,689	\$ 17,999,781,235	\$ 21,890,793,528
Authority's Share	\$ 7,256,489	\$ 8,697,314	\$ 10,577,412

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 trend rate:

	1% Decrease	June 30, 2020 Healthcare Cost Trend Rate	1% Increase
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

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Basic Financial Statements**  
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**7. Postemployment Benefits Other Than Pensions (OPEB) – (Continued)**

*Actuarial assumptions and other inputs*

The total OPEB liability as of June 30, 2021 was determined by an actuarial valuation as of June 30, 2020, which was rolled forward to June 30, 2021. 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 - 6.00%
Rate thereafter	3.00 - 7.00%
Mortality:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

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

Actuarial assumptions used in the July 1, 2020 valuation were based on the results of PERS experience studies prepared for July 1, 2014 to June 30, 2018. 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 7.82, 7.87, 8.05, 8.14 and 8.04 years for 2021, 2020, 2019, 2018 and 2017, respectively.

**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.

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
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**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.

**Litigation:**

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

**12. Restrictions on Net Position**

Certain portions of net position have been restricted. Restrictions as of October 31, 2021 and 2020 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, 2021 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 April 12, 2022 the Authority authorized an increase on the Revenue Bonds (Junior Lien) through the New Jersey Infrastructure Bank (NJIB) financing program up to an amount not exceed \$90,000,000.

**Other Required Supplementary Information – Part II**

**Schedules Relating to Accounting and Reporting for Pensions  
and OPEB  
(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 EMPLOYEES' RETIREMENT SYSTEM

LAST TEN FISCAL YEARS

	Years Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Authority's proportion of the net pension liability (asset) - Local Group	0.038596%	0.040019%	0.040235%	0.039009%	0.038096%	0.034481%	0.036721%	0.035562%	N/A	N/A
Authority's proportionate share of the net pension liability (asset)	\$ 4,572,315	\$ 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
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
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	163.27%	222.93%	255.53%	282.52%	345.57%	418.97%	333.20%	260.69%	N/A	N/A
Plan fiduciary net position as a percentage of the total pension liability - Local Group	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	48.72%	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 remained the same at 7.00% as of June 30, 2020 and June 30, 2021.

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

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

LAST TEN FISCAL YEARS

	Years Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Contractually required contribution	\$ 452,008	\$ 437,793	\$ 392,687	\$ 389,301	\$ 356,766	\$ 306,321	\$ 315,702	\$ 293,167	\$ 295,253	\$ 279,877
Contributions in relation to the contractually required contribution	(452,008)	(437,793)	(392,687)	(389,301)	(356,766)	(306,321)	(315,702)	(293,167)	(295,253)	(279,877)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 2,758,125	\$ 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
Contributions as a percentage of covered-employee payroll	16.39%	15.63%	13.41%	13.72%	13.12%	11.94%	12.95%	11.85%	11.56%	10.74%



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

LAST TEN FISCAL YEARS\*

	Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
Authority's proportion of the net OPEB liability (asset)	0.0483190000%	0.0460650000%	0.0438160000%	0.463800000%	0.0467040000%	0.0537190000%	N/A	N/A	N/A	N/A
Authority's proportionate share of the net OPEB liability (asset)	\$ 8,697,314	\$ 8,267,107	\$ 5,935,347	\$ 7,261,164	\$ 9,534,990	\$ 11,666,405	N/A	N/A	N/A	N/A
Authority's covered-employee payroll	\$ 2,800,471	\$ 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
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	310.57%	282.40%	209.20%	267.09%	371.56%	478.63%	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, 2021 and 2020, employers participating in the plan were adopting and or changing Chapter 48 provisions which provide different levels of subsidy than in the prior fiscal years.

Changes of Assumptions

The discount rate changed from 2.21% as of June 30, 2020 to 2.16% as of June 30, 2021.

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 BENEFITS LOCAL GOVERNMENT RETIRED EMPLOYEES PLAN**

LAST TEN FISCAL YEARS

	Year Ended June 30,									
	2021	2020	2019	2018	2017	2016	2015	2014	2013	2012
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	\$ 2,800,471	\$ 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	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  
Comparative Schedule of Revenues and Expenses Compared to Budget  
(Budgetary Basis)  
For the years ended October 31, 2021 and 2020**

	For the year ended October 31, 2021				For the year ended October 31, 2020			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>REVENUES:</b>								
Revenues from Customer Municipalities and Government Facilities:								
Eatontown	\$ 6,300,000	\$ 6,300,000	\$ 1,448,165	\$ 1,448,165	\$ 7,375,000	\$ 7,375,000	\$ 1,732,501	\$ 1,732,501
Tinton Falls			1,047,375	1,047,375			1,096,504	1,096,504
Red Bank			1,343,539	1,343,539			1,531,216	1,531,216
Rumson			1,723,230	1,723,230			1,811,695	1,811,695
Sea Bright			462,960	462,960			441,568	441,568
Township of Shrewsbury			195,971	195,971			217,497	217,497
	<u>6,300,000</u>	<u>6,300,000</u>	<u>6,221,240</u>	<u>(78,760)</u>	<u>7,375,000</u>	<u>7,375,000</u>	<u>6,830,981</u>	<u>(544,019)</u>
Service Charges:								
Individual Billings Member Towns	<u>5,895,000</u>	<u>5,895,000</u>	<u>6,438,732</u>	<u>543,732</u>	<u>5,954,000</u>	<u>5,954,000</u>	<u>6,074,293</u>	<u>120,293</u>
Interest on Investments	<u>300,000</u>	<u>300,000</u>	<u>131,090</u>	<u>(168,910)</u>	<u>200,000</u>	<u>200,000</u>	<u>243,903</u>	<u>43,903</u>
Other Fees:								
Connection Charges	480,000	480,000	211,440	(268,560)	505,000	505,000	112,700	(392,300)
Miscellaneous Income	<u>25,000</u>	<u>25,000</u>	<u>86,635</u>	<u>61,635</u>	<u>25,000</u>	<u>25,000</u>	<u>442,265</u>	<u>417,265</u>
	<u>505,000</u>	<u>505,000</u>	<u>298,075</u>	<u>(206,925)</u>	<u>530,000</u>	<u>530,000</u>	<u>554,965</u>	<u>24,965</u>
<b>TOTAL REVENUES</b>	<u>13,000,000</u>	<u>13,000,000</u>	<u>13,089,137</u>	<u>89,137</u>	<u>14,059,000</u>	<u>14,059,000</u>	<u>13,704,142</u>	<u>(354,858)</u>
<b>EXPENSES:</b>								
Administrative and General Expenses:								
Administrative Salaries and Wages	540,000	540,000	758,230	(218,230)	635,000	635,000	858,228	(223,228)
Employee Benefits	140,000	140,000	155,692	(15,692)	55,000	55,000	162,457	(107,457)
FICA and Medicare	113,000	113,000	46,481	66,519	180,000	180,000	46,497	133,503
Employee Medical Related	2,000	2,000	2,108	(108)	2,000	2,000	2,825	(825)
Pension PERS	350,000	350,000	(506,126)	856,126	350,000	350,000	282,545	67,455
OPEB Benefit	-	-	(223,854)	223,854	-	-	(292,862)	292,862
Billing Expenses:								
Computer Service	26,500	26,500	69,044	(42,544)	32,000	32,000	40,792	(8,792)
Billing Postage	28,000	28,000	741	27,259	36,000	36,000	23,152	12,848
Bank Fees	4,000	4,000	24,168	(20,168)	84,000	84,000	83,653	347
Office Expenses:								
Other Postage	4,500	4,500	6,417	(1,917)	3,000	3,000	4,588	(1,588)
Stationary and Supplies	20,000	20,000	13,629	6,371	21,000	21,000	23,147	(2,147)
Equipment Rental and Supplies	40,000	40,000	18,344	21,656	28,000	28,000	40,291	(12,291)
Printing	10,000	10,000	3,440	6,560	6,000	6,000	9,947	(3,947)
Equipment Service Contracts	6,000	6,000	9,028	(3,028)	15,000	15,000	5,290	9,710
Telephone	18,000	18,000	21,817	(3,817)	20,000	20,000	18,553	1,447

**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, 2021 and 2020**

	For the year ended October 31, 2021				For the year ended October 31, 2020			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENSES (Continued):</b>								
General Expenses:								
Conferences and Training	\$ 1,500	\$ 1,500	\$ 10,819	\$ (9,319)	\$ 10,000	\$ 10,000	\$ 3,958	\$ 6,042
Commissioners Conference	150	150	-	150	-	-	-	-
Travel Expenses	2,500	2,500	4,716	(2,216)	3,000	3,000	2,471	529
Motor Vehicle Fees	5,000	5,000	4,932	68	6,000	6,000	4,521	1,479
Auto and Fire Liability Business Insurance	220,000	220,000	155,690	64,310	150,000	150,000	144,745	5,255
Worker's Compensation Insurance	120,000	120,000	102,720	17,280	99,341	99,341	95,693	3,648
Advertising Fees	2,380	2,380	4,608	(2,228)	10,000	10,000	2,471	7,529
Dues and Membership	9,000	9,000	9,247	(247)	10,000	10,000	9,014	986
Subscriptions	200	200	30	170	10,000	10,000	144	9,856
Gift Baskets	500	500	112	388	500	500	-	500
Meeting Expenses	1,220	1,220	1,237	(17)	2,000	2,000	1,275	725
Equipment Renewal and Replacement	-	-	9,851	(9,851)	-	-	-	-
Leases of R.R. Property	300	300	119	181	120	120	233	(113)
Long Branch Sewerage Authority Contingency	4,000	4,000	3,773	227	4,000	4,000	3,751	249
Contingency	61,000	61,000	-	61,000	-	-	-	-
Professional Expenses:								
Legal Fees	90,000	90,000	112,337	(22,337)	85,000	85,000	143,927	(58,927)
Engineering Fees	155,000	155,000	91,139	63,861	155,000	155,000	77,763	77,237
Trustee Fees	13,000	13,000	19,500	(6,500)	10,000	10,000	16,500	(6,500)
Auditors Fees	60,000	60,000	68,938	(8,938)	72,000	72,000	61,433	10,567
Investment Management Fees	32,000	32,000	36,000	(4,000)	36,000	36,000	33,000	3,000
Pre-Employment Physical Fees	500	500	417	83	1,000	1,000	-	1,000
Total Administrative and General Expenses	<u>2,080,250</u>	<u>2,080,250</u>	<u>1,035,344</u>	<u>1,044,906</u>	<u>2,130,961</u>	<u>2,130,961</u>	<u>1,910,002</u>	<u>220,959</u>
Treatment Plant and Main Pumping Expenses:								
Plant Salaries and Wages	2,190,000	2,190,000	2,000,075	189,925	2,280,000	2,280,000	2,165,233	114,767
Employee Benefits	695,000	695,000	475,364	219,636	900,000	900,000	474,382	425,618
FICA and Medicare	170,000	170,000	148,283	21,717	200,000	200,000	166,437	33,563
Other Treatment Plant Expenses:								
Conferences and Training	15,000	15,000	2,617	12,383	15,000	15,000	6,930	8,070
Electricity	800,000	800,000	489,061	310,939	700,000	700,000	586,579	113,421
Fuel - Diesel	40,000	40,000	32,965	7,035	95,000	95,000	34,387	60,613
Natural Gas	60,000	60,000	56,184	3,816	75,000	75,000	44,324	30,676
Sodium Hypochlorite	65,000	65,000	79,637	(14,637)	115,000	115,000	78,597	36,403
Polymer	70,000	70,000	124,478	(54,478)	90,000	90,000	91,908	(1,908)
Hydrogen Peroxide	60,000	60,000	85,870	(25,870)	80,000	80,000	74,542	5,458
Non Bulk Chemicals	-	-	-	-	5,000	5,000	-	5,000

**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, 2021 and 2020**

	For the year ended October 31, 2021				For the year ended October 31, 2020				
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	
<b>EXPENSES (Continued):</b>									
Fuel - Unleaded	\$ 10,000	\$ 10,000	\$ 4,566	\$ 5,434	\$ 15,000	\$ 15,000	\$ 3,726	\$ 11,274	
Truck Maintenance	75,000	75,000	57,795	17,205	75,000	75,000	51,758	23,242	
DEP and EPA Permits	70,000	70,000	53,253	16,747	60,000	60,000	53,650	6,350	
Calibration Services	25,000	25,000	18,042	6,958	24,000	24,000	30,401	(6,401)	
Water	70,000	70,000	43,234	26,766	60,000	60,000	61,944	(1,944)	
Stationary Supplies	-	-	-	-	-	-	-	1,752	(1,752)
Maintenance Supplies	60,000	60,000	58,155	1,845	80,000	80,000	43,161	36,839	
Equipment Service Contracts	75,000	75,000	45,706	29,294	75,000	75,000	22,670	52,330	
Equipment Repair	125,000	125,000	167,646	(42,646)	130,000	130,000	199,091	(69,091)	
Uniforms and Gloves	15,000	15,000	13,416	1,584	20,000	20,000	8,984	11,016	
Equipment Replacement	75,000	75,000	38,633	36,367	130,000	130,000	216,370	(86,370)	
Sludge Removal	925,000	925,000	839,021	85,979	950,000	950,000	810,642	139,358	
Ash, Grit, and Screenings	20,000	20,000	14,800	5,200	30,000	30,000	16,002	13,998	
Laboratory Supplies	30,000	30,000	52,714	(22,714)	35,000	35,000	26,955	8,045	
Outside Lab Fees	60,000	60,000	54,285	5,715	60,000	60,000	52,292	7,708	
Municipal Services	35,000	35,000	35,572	(572)	20,000	20,000	34,874	(14,874)	
Janitorial Supplies	12,000	12,000	6,835	5,165	12,000	12,000	9,285	2,715	
Building and Ground Maintenance	75,000	75,000	59,832	15,168	75,000	75,000	74,212	788	
Travel Expenses	50	50	-	50	-	-	36	(36)	
Contingency	300,000	300,000	-	300,000	49,137	49,137	-	49,137	
Plant Renewal and Replacement	-	-	69,189	(69,189)	-	-	19,156	(19,156)	
New Equipment	100,000	100,000	60,342	39,658	100,000	100,000	29,860	70,140	
Safety	50,000	50,000	57,331	(7,331)	50,000	50,000	43,075	6,925	
Hurricane Damage	-	-	-	-	-	-	160,177	(160,177)	
Gift Baskets	-	-	-	-	-	-	75	(75)	
Subscriptions	100	100	-	100	-	-	-	-	
Covid-19 Expenses	25,000	25,000	5,285	19,715	-	-	28,423	(28,423)	
<b>Total Treatment Plant and Main Pumping Expenses</b>	<b>6,397,150</b>	<b>6,397,150</b>	<b>5,250,186</b>	<b>1,146,964</b>	<b>6,605,137</b>	<b>6,605,137</b>	<b>5,721,890</b>	<b>883,247</b>	
<b>Lines and System Pumping Station:</b>									
Line Salaries and Wages	260,000	260,000	261,990	(1,990)	270,000	270,000	219,167	50,833	
Employee Benefits	140,000	140,000	132,496	7,504	225,000	225,000	133,782	91,218	
FICA and Medicare	20,000	20,000	19,516	484	24,000	24,000	16,759	7,241	
Other Lines Expenses:									
Stationary and Supplies	900	900	-	900	-	-	643	(643)	
Conferences and Training	2,000	2,000	100	1,900	2,000	2,000	-	2,000	
Electricity	95,000	95,000	79,404	15,596	100,000	100,000	80,040	19,960	
Fuel - Unleaded Gasoline	20,000	20,000	27,397	(7,397)	15,000	15,000	22,370	(7,370)	
Equipment Service - Contracts	7,000	7,000	5,874	1,126	10,000	10,000	5,866	4,134	
Truck Maintenance	10,000	10,000	17,488	(7,488)	35,000	35,000	4,805	30,195	
Natural Gas	41,000	41,000	36,126	4,874	20,000	20,000	32,924	(12,924)	
Hydrogen Peroxide	-	-	-	-	90,000	90,000	-	90,000	
Nitrate Oxygen	45,000	45,000	66,706	(21,706)	45,000	45,000	41,259	3,741	

**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, 2021 and 2020**

	For the year ended October 31, 2021				For the year ended October 31, 2020			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
<b>EXPENSES (Continued):</b>								
Maintenance and Supplies	\$ 25,000	\$ 25,000	\$ 34,396	\$ (9,396)	\$ 25,000	\$ 25,000	\$ 17,028	\$ 7,972
Uniforms and Gloves	3,500	3,500	3,103	397	3,500	3,500	199	3,301
Buildings and Grounds Maintenance	31,000	31,000	64,183	(33,183)	30,000	30,000	32,965	(2,965)
Chemicals	-	-	-	-	5,000	5,000	-	5,000
Bioxide 71	85,000	85,000	130,168	(45,168)	100,000	100,000	138,691	(38,691)
Maintenance of Lines	425,000	425,000	222,530	202,470	425,000	425,000	209,306	215,694
Safety	-	-	4,768	(4,768)	-	-	-	-
Water	4,000	4,000	1,177	2,823	2,500	2,500	3,729	(1,229)
Meter Calibration	15,000	15,000	20,050	(5,050)	15,000	15,000	14,238	762
Communications Equipment	2,500	2,500	8,193	(5,693)	2,500	2,500	1,398	1,102
Equipment Repair	110,000	110,000	150,373	(40,373)	63,000	63,000	49,211	13,789
Equipment Replacement	75,000	75,000	97,005	(22,005)	75,000	75,000	73,976	1,024
Contingency	195,950	195,950	-	195,950	55,000	55,000	-	55,000
New Equipment	20,000	20,000	6,303	13,697	25,000	25,000	16,024	8,976
Fuel - Diesel	-	-	-	-	-	-	181	-
Total Lines and System Pumping Station Expenses	1,632,850	1,632,850	1,389,346	243,504	1,662,500	1,662,500	1,114,561	547,939
<b>TOTAL OPERATING EXPENSES</b>	<b>10,110,250</b>	<b>10,110,250</b>	<b>7,674,876</b>	<b>2,435,374</b>	<b>10,398,598</b>	<b>10,398,598</b>	<b>8,746,453</b>	<b>1,652,145</b>
<b>OTHER COSTS FUNDED BY OPERATING REVENUES:</b>								
Bond Principal	230,000	230,000	230,000	-	3,481,400	3,481,400	3,481,400	-
Interest on Bonds	67,094	67,094	61,112	5,982	179,002	179,002	153,946	25,056
Renewal and Replacement	-	-	153,175	(153,175)	-	-	803,746	(803,746)
<b>TOTAL COSTS FUNDED BY OPERATING REVENUES</b>	<b>297,094</b>	<b>297,094</b>	<b>444,287</b>	<b>(147,193)</b>	<b>3,660,402</b>	<b>3,660,402</b>	<b>4,439,092</b>	<b>(778,690)</b>
<b>TOTAL EXPENSES</b>	<b>10,407,344</b>	<b>10,407,344</b>	<b>8,119,163</b>	<b>2,288,181</b>	<b>14,059,000</b>	<b>14,059,000</b>	<b>13,185,545</b>	<b>873,455</b>
<b>BUDGETARY REVENUES OVER EXPENSES</b>	<b>\$ 2,592,656</b>	<b>\$ 2,592,656</b>	<b>\$ 4,969,974</b>	<b>\$ 2,377,318</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 518,597</b>	<b>\$ 518,597</b>
<b>Reconciliation of Budgetary Basis to Net Income:</b>			<b>Actual</b>				<b>Actual</b>	
Budgetary revenues over expenses			\$ 4,969,974				\$ 518,597	
Adjustments to budgetary basis:								
Depreciation expense			(3,385,823)				(3,263,172)	
Bond principal maturity			230,000				3,481,400	
Capital outlay expenditures			341,470				1,368,719	
Federal Emergency Management Agency			899,560				525,246	
Total Adjustments			(1,914,793)				2,112,193	
Net Income			<u>\$ 3,055,181</u>				<u>\$ 2,630,790</u>	

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

**SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE  
YEAR ENDED OCTOBER 31, 2021**

Purpose	Date of Issue	Maturities		Interest Rate	Balance October 31, 2020	Paid	Balance October 31, 2021
		Date	Amount				
\$3,770,000 Series 2016 Revenue Bonds - To provide funds for improvements and upgrades to the wastewater treatment system.	3/31/2016	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%			
<b>TOTAL</b>					\$ 2,910,000	\$ 230,000	\$ 2,680,000
					\$ 2,910,000	\$ 230,000	\$ 2,680,000
Current Portion					\$ 230,000		\$ 235,000
Long-Term Liability Revenue Bonds					2,680,000		2,445,000
Subtotal Revenue Supported Debt					2,910,000		2,680,000
Unamortized Bond Premium					46,919		43,140
<b>TOTAL</b>					\$ 2,956,919		\$ 2,723,140



**TWO RIVERS WATER RECLAMATION AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
ANALYSIS OF CAPITAL PROJECTS  
YEAR ENDED OCTOBER 31, 2021**

<u>Asset Category</u>	<u>Project Description</u>	<u>Amount Capitalized</u>
Pump Stations		
	PS 5 Pump 2 Repairs	\$ 26,884
	PS 3 Rebuild	27,897
	PS 5 Impeller	20,872
	Pump Station 12 Valves	51,699
Total Pump Stations		<u>127,352</u>
Vehicles		
	Truck 5 Repair	12,053
	Ford F-250	41,428
	Hoist for Truck 5	37,901
Total Vehicles		<u>91,382</u>
Other Equipment		
	Used 10' Pump w/Hose	50,000
	Repair Clarifier 2	14,228
Total Other Equipment		<u>64,228</u>
Construction in Progress		
	PS 12	708,162
	PS Control Panels	51,566
	Fort Design	36,654
	Main Pump Station Replacement	982,156
	Plant PLC Hardware	21,543
	Pump Station Roofs	27,400
	Major Interceptor Rehab	1,763,402
	Grinder Installation	369,288
	WAS Piping Replacement	52,593
	Odor Control System	310,239
Total Construction in Progress		<u>4,323,003</u>
Total		<u>\$ 4,605,965</u>
Detail:		
Additions to Construction in Progress		\$ 4,323,003
Current Year's Acquisitions		<u>282,962</u>
		<u>\$ 4,605,965</u>

## **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, 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated February 1, 2023.

**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.

PKF O'CONNOR DAVIES, LLP  
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**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 Authority'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 Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*PKF O'Connor Davies, LLP*

Cranford, New Jersey  
February 1, 2023



**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM AND  
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE  
AND 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 Federal and 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 *OMB Compliance Supplement* and the *New Jersey Compliance Manual "State Grant Compliance Supplement"* that could have a direct and material effect on each of the Authority's major federal and state programs for the year ended October 31, 2021. The Authority's major federal and 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of the Authority's major federal and 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 federal and 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 federal and state program. However, our audit does not provide a legal determination on the Authority's compliance.

## **Opinion on Each Major Federal and 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 federal and state programs for the year ended October 31, 2021.

## **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 federal and 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 federal and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and 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 federal or 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 Uniform Guidance and NJ OMB Circular 15-08. Accordingly, this report is not suitable for any other purposes.

*PKF O'Connor Davies, LLP*

Cranford, New Jersey  
February 1, 2023

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**FOR THE YEAR ENDED OCTOBER 31, 2021**

<u>FEDERAL GRANTOR/PASS - THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>FEDERAL ASSISTANCE LISTING NUMBER</u>	<u>GRANT PERIOD</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>FEDERAL EXPENDITURES</u>
<b>U.S. Department of Homeland Security</b> <b>Pass-through State of New Jersey</b>					
Disaster Grant - Public Assistance - Presidentially Declared Disasters	97.036	2012 - Ongoing	Not Applicable	\$ -	\$ 899,560

See Accompanying Notes to Schedule of Expenditures of Federal Awards

**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**SCHEDULE OF EXPENDITURES OF STATE FINANCIAL ASSISTANCE**  
**FOR THE YEAR ENDED OCTOBER 31, 2021**

<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	\$ -	\$ -	\$ 2,885,199
NJ Environmental Infrastructure Trust - Interceptor and Pump Station Improvements	S340 117-09	N/A	2,465,250	-	2,547,685
			<u>\$ 2,465,250</u>	<u>\$ -</u>	<u>\$ 5,432,884</u>
Total State Financial Assistance			<u>\$ 2,465,250</u>	<u>\$ -</u>	<u>\$ 5,432,884</u>

See Accompanying Notes to Schedule of Expenditures of State Financial Assistance



**TWO RIVERS WATER RECLAMATION AUTHORITY**  
**Notes to the Schedules of Expenditures of Federal Awards and State Financial Assistance**  
**For the Year Ended October 31, 2021**

**Note 1. General**

The accompanying schedules of expenditures of federal awards and state financial assistance present the activity of all expenditures of federal awards and 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 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and New Jersey OMB Circular 15-08, *Single Audit Policy for Recipients of Federal Grants, State Grants and State Aid*. All federal awards and state financial assistance received directly from state agencies, as well as federal awards and state financial assistance passed through other government agencies is included on these schedule of expenditures of federal awards and state financial assistance.

**Note 2. Summary of Significant Account Policies**

The accompanying schedules of expenditures of federal awards and state financial assistance are 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 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and 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 Federal and State Financial Reports**

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

**Note 5. State Loans Outstanding**

The Authority had outstanding state loan balances of \$5,433,113 as of October 31, 2021. The entire balance of outstanding state loans was owed to the New Jersey Infrastructure Bank.

**Note 6. Indirect Costs**

The Authority has elected not to use the 10% de minimus indirect cost rate as allowed by the Uniform Guidance.

**TWO RIVERS WATER RECLAMATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED OCTOBER 31, 2021**

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  None reported

Noncompliance material to basic financial statements noted? \_\_\_\_\_ Yes  X  No

**Federal Awards**

Internal Control over major programs:

1) Material weakness(es) identified? \_\_\_\_\_ Yes  X  No

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

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200 section .516(a)? \_\_\_\_\_ Yes  X  No

Identification of major programs:

<u>Assistance Listing Number(s)</u>	<u>Name of Federal Program or Cluster</u>
<u>97.036</u>	<u>Disaster Grant - Public Assistance - Presidentially Declared Disasters</u>

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

Auditee qualified as low-risk auditee? \_\_\_\_\_ Yes  X  No

**TWO RIVERS WATER RECLAMATION AUTHORITY  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (continued)  
FOR THE YEAR ENDED OCTOBER 31, 2021**

Section 1 - Summary of Auditors' Results (continued)

**State Financial Assistance**

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     No

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     No

Identification of major state programs:

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

Section II - Financial Statement Findings

NONE

Section III - Federal Award and 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, 2021**

STATUS OF PRIOR YEAR FEDERAL AWARD FINDINGS

**Not Applicable** – No federal single audit for the year ended October 31, 2020.

STATUS OF PRIOR YEAR STATE FINANCIAL ASSISTANCE FINDINGS

**Not Applicable** – No state single audit findings for the year ended October 31, 2020.

## **Other Information**

**TWO RIVERS WATER RECLAMATION AUTHORITY**

**ROSTER OF OFFICIALS**

**YEAR ENDED OCTOBER 31, 2021**

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, B
Scott Hartman	Secretary	A
Richard N. Tocci	Assistant Treasurer	A
Jonathan Peters	Assistant Secretary	A
John Bonforte	Member	A
Gregory J. Christopher	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: Public Officials Bond. Blanket Bond All Employees \$50,000
- C. Municipal Excess Liability Joint Insurance Fund: Excess Public Officials Bond. \$950,000 in the aggregate to provide \$1,000,000 in coverage.

**TWO RIVERS WATER RECLAMATION AUTHORITY**

**INSURANCE COVERAGE**

**YEAR ENDED OCTOBER 31, 2021**

**UNAUDITED**

A blanket policy issued by the New Jersey Utility Authorities Joint Insurance Fund for a one-year period expiring on January 1, 2022, 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		1,000,000
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, 2021  
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	\$ 762,033	\$ -	\$ 202,862	\$ 559,171
N/A	Pump Station Control Panels	104-005	11,781	51,566	-	-	51,566
N/A	Fort Monmouth Sewer Replacement	104-009	11,781	187,977	47,017	128,760	12,200
181	Main Pump Station Replacement	104-014	-	4,355,910	46,658	4,118,476	190,776
179/184/185	Electrical Substation Repairs	104-018	34,100	209,246	-	4,700	204,546
183	RAS Pipe Reconstruction	104-019	229,712	563,606	-	71,717	491,889
182	Plant PLC Hardware	104-021	-	451,722	-	-	451,722
189	Pump Station 12	104-024	-	294,034	3,385	16,764	273,885
169A	Major Interceptor Rehab	104-025	787,440	1,767,785	7,540	-	1,760,245
195	Grinder Installation/Channel Grinder PS# 3, 5, 12 & 13	104-026	-	369,288	-	-	369,288
190	WAS Piping Replacement/Pump & Motor Repair	104-027	369,288	52,593	-	-	52,593
199	Odor Control System	104-028	-	529,606	858	287,489	241,259
<b>Totals</b>			<u>\$ 1,709,343</u>	<u>\$ 9,595,364</u>	<u>\$ 105,458</u>	<u>\$ 4,830,767</u>	<u>\$ 4,659,139</u>

*Note: This Project Activity Schedule includes all Projects in Excess of \$50,000 from Fiscal Year 2017 through Fiscal Year 2021.*



**TWO RIVERS WATER RECLAMATION AUTHORITY  
COUNTY OF MONMOUTH, NEW JERSEY  
FISCAL YEAR ENDED OCTOBER 31, 2021**

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, 2021, 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.

#### **Finding 2021-001:**

**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.

A test of employees' compensation and payroll deductions for the year ended October 31, 2021 and for those employees tested, no exceptions were noted.

### 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, 2021 and 2020.

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 2020-002, which is repeated as 2021-001 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