

TWO RIVERS WATER RECLAMATION AUTHORITY
FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION
YEARS ENDED OCTOBER 31, 2022 AND 2021

**TWO RIVERS WATER RECLAMATION AUTHORITY
YEARS ENDED OCTOBER 31, 2022 AND 2021**

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INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the business-type activities of the Two Rivers Water Reclamation Authority, Monmouth Beach, New Jersey (the "Authority"), as of and for the years ended October 31, 2022 and 2021, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

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

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the requirements of the Division, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Authority's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

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

Other Supplementary Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Authority's basic financial statements. The accompanying supplementary information as listed in the table of contents is presented for purposes of additional analysis and are also not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards, as required by Title 2, U.S. *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) is also presented for purposes of additional analysis and is not a required part of the basic financial statements.

The supplementary information identified above is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the roster of officials, insurance coverage, project activity schedule and general comments and recommendations but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon. In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 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 effectiveness of the Authority's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP
Cranford, New Jersey
November 15, 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, 2022 and 2021.

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 \$9,258,244 due to increases in escrow deposits and net capital assets. Total liabilities and deferred inflows of resources increased by \$3,974,842 due mainly to an increase in reserve for developers’ deposits offset by a decrease in the construction loan payable. Assets and deferred outflows exceeded liabilities and deferred inflows by \$72,890,381. This compares to 2021 where assets and deferred outflows of resources exceeded liabilities and deferred inflows by \$67,606,979.

The Authority’s Net Position of \$72,890,381 is comprised of the following:

Net investment in capital assets of \$68,827,571, as shown below, includes land, construction in progress and property, plant and equipment, net of accumulated depreciation, and net of long-term debt related to the purchase or construction of capital assets. Net investment in capital assets increased by \$5,728,215 from the prior year.

Capital Assets - Net	\$ 73,156,695
Less:	
Construction Loan - NJIB	(1,844,762)
Revenue Bonds Payable, Net of Unamortized Premium	<u>(2,484,362)</u>
Net Investment in Capital Assets	<u>\$ 68,827,571</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 \$(1,127,190) 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 decreased by \$444,813 mainly due to the change in net position, of \$5,283,402 offset by the increase in the net investment in capital assets of \$5,728,215.

	2022	2021	2020	Increase (Decrease) 2022 to 2021	Increase (Decrease) 2021 to 2020
Total current assets	\$ 4,700,512	\$ 5,705,839	\$ 7,201,033	-17.62%	-20.76%
Total restricted assets	28,746,175	20,259,148	15,984,915	41.89%	26.74%
Capital assets, net	73,156,695	71,255,609	70,056,751	2.67%	1.71%
Deferred outflows of resources	2,627,675	2,752,217	3,077,003	-4.53%	-10.56%
Total Assets and Deferred Outflows of Resources	<u>\$ 109,231,057</u>	<u>\$ 99,972,813</u>	<u>\$ 96,319,702</u>	9.26%	3.79%
Total current liabilities payable from unrestricted assets	\$ 3,120,191	\$ 2,986,356	\$ 3,097,996	4.48%	-3.60%
Total current liabilities payable from restricted assets	11,141,171	5,763,682	3,266,786	93.30%	76.43%
Unemployment claims reserve	64,055	64,055	64,055	0.00%	0.00%
Compensated absences payable	333,617	316,715	353,751	5.34%	-10.47%
Net pension liability	5,813,561	4,572,315	6,526,116	27.15%	-29.94%
Net OPEB liability	7,295,418	8,697,314	8,267,107	-16.12%	5.20%
Long term obligations, net	2,240,583	2,484,361	2,723,140	-9.81%	-8.77%
Deferred inflows of resources	6,332,080	7,481,036	7,468,953	-15.36%	0.16%
Total Liabilities and Deferred Inflows of Resources	<u>\$ 36,340,676</u>	<u>\$ 32,365,834</u>	<u>\$ 31,767,904</u>	12.28%	1.88%
Total Net Position	<u>\$ 72,890,381</u>	<u>\$ 67,606,979</u>	<u>\$ 64,551,798</u>	7.81%	4.73%

Total current assets have decreased mainly because of the decreases in current unrestricted cash and federal accounts receivable, offset by an increase in sewer billings receivable.

Total restricted assets have increased because of the increases in cash and cash equivalents offset by a decrease in investments.

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

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

Total current liabilities payable from restricted assets have increased due to the increase in reserve for developers' deposits offset by a decrease in the construction loan payable to the New Jersey Infrastructure Bank.

Compensated absences payable increased in relation to minimal payouts during the fiscal year and increases in pay rates.

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

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

The net OPEB liability decreased and related deferred inflows increased and deferred outflows 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 increased by \$134,958 or 2.17% while operating revenues from participating municipalities decreased by \$216,044 or 3.36%. Total operating revenues decreased by \$81,086 or 0.64% from 2021 levels.

Total operating expenses were higher in 2022 than 2021, mainly due to increases across the board except for administration and general expenses. Total operating revenues less total operating expenses produced operating income of \$562,492, which is less than 2021 operating income of \$1,787,568.

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

	2022	2021	2020	Increase (Decrease) 2022 to 2021	Increase (Decrease) 2021 to 2020
Total operating revenues	\$ 12,578,886	\$ 12,659,972	\$ 12,905,274	-0.64%	-1.90%
Operating expenses	8,383,555	7,486,581	8,181,480	11.98%	-8.49%
Depreciation	3,632,839	3,385,823	3,263,172	7.30%	3.76%
Total operating expenses	<u>12,016,394</u>	<u>10,872,404</u>	<u>11,444,652</u>	10.52%	-5.00%
Operating income	562,492	1,787,568	1,460,622	-68.53%	22.38%
Nonoperating revenues (expenses), net	<u>4,720,910</u>	<u>1,267,613</u>	<u>1,170,168</u>	272.43%	8.33%
Change in Net Position	5,283,402	3,055,181	2,630,790	72.93%	16.13%
Total net position - beginning	<u>67,606,979</u>	<u>64,551,798</u>	<u>61,921,008</u>	4.73%	4.25%
Total net position - ending	<u>\$ 72,890,381</u>	<u>\$ 67,606,979</u>	<u>\$ 64,551,798</u>	7.81%	4.73%

Comparative Statements of Cash Flows

The net increase in cash and cash equivalents was \$13,627,292 in 2022. This compares to a net increase in cash and cash equivalents in 2021 of \$3,081,642. The main reason for the 2022 increase in cash is due to the net cash provided by operating activities, net cash provided by capital and related financing activities and net cash provided by investing activities.

Debt Administration

As of October 31, 2022, the Authority had \$15,991,013 of long-term liabilities. Of this amount, \$333,617 is for compensated absences, \$64,055 is for an unemployment claims reserve, \$2,445,000 is for revenue bonds payable \$39,362 represents an unamortized bond premium, \$7,295,418 is for the net OPEB liability and \$5,813,561 relates to the net pension liability. As of October 31, 2021, the Authority had \$16,373,539 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. This construction loan was paid off in the 2022 fiscal year. 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 and a balance of \$1,844,762 remains as of October 31, 2022. See Note 4 to the basic financial statements for additional information.

Capital Assets

As of October 31, 2022 and 2021, the Authority had \$73,156,695 and \$71,255,609 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 2022 budget. Total revenues were less than budgeted by \$291,791 due to revenues from customer municipalities, interest on investments and connection charges being lower than expected. Total operating expenses exceeded the budget by \$426,624, but were offset by other costs funded by operating activities being less than what was budgeted. Total expenses were less than budgeted by \$683,351.

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 2022 budget of \$13.2 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.

Basic Financial Section

TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF NET POSITION
OCTOBER 31, 2022 AND 2021

ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	2022	2021
CURRENT ASSETS		
Cash	\$ 1,370,589	\$ 2,115,018
Inventory	45,414	26,223
Sewer Billings Receivable	2,906,180	2,139,792
Other Accounts Receivable	-	52,525
Intergovernmental Accounts Receivable - Federal	378,329	1,372,281
Total Current Assets	4,700,512	5,705,839
RESTRICTED ASSETS		
Revenue fund - Unemployment cash and cash equivalents	98,418	98,418
Escrow deposits: Cash and cash equivalents	9,345,467	170,853
Bond service account: Cash and cash equivalents	28,609	31,104
Bond reserve account: Cash and cash equivalents	100,003	100,003
General account: Cash and cash equivalents	10,437,518	8,388,327
General account: Investments	1,899,841	7,389,529
General account: Accrued Interest Receivable	25,362	15,625
Construction account: Cash and cash equivalents	5,300,143	2,159,017
Construction account: NJIB Drawdown Receivable	-	404,743
Renewal and replacement account: Cash and cash equivalents	1,510,814	1,501,529
Total Restricted Assets	28,746,175	20,259,148
NONCURRENT ASSETS		
Capital Assets - Non-depreciable	11,336,079	9,676,927
Capital Assets - Net of depreciation	61,820,616	61,578,682
Total Noncurrent Assets	73,156,695	71,255,609
DEFERRED OUTFLOWS OF RESOURCES		
Pension deferrals	550,077	493,090
OPEB deferrals	2,077,598	2,259,127
Total Deferred Outflows of Resources	2,627,675	2,752,217
Total Assets and Deferred Outflows of Resources	\$ 109,231,057	\$ 99,972,813

See accompanying notes to financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF NET POSITION
OCTOBER 31, 2022 AND 2021

LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	2022	2021
CURRENT LIABILITIES		
Accounts Payable	\$ 1,770,070	\$ 1,661,569
Accrued Expenses	254,503	245,828
Customer Overpayments	98,841	67,409
Unearned Revenue	996,777	1,011,550
Total Current Liabilities payable from Unrestricted Assets	3,120,191	2,986,356
Reserve for Developers' Deposits	9,028,914	68,074
Accrued Interest on Bonds Payable	23,716	23,716
NJIB Temporary Construction Loan	1,844,762	5,433,113
Revenue Bonds Payable - Current Portion	243,779	238,779
Total Current Liabilities payable from Restricted Assets	11,141,171	5,763,682
NONCURRENT LIABILITIES		
Net Pension Liability	5,813,561	4,572,315
Net OPEB Liability	7,295,418	8,697,314
Long-term Revenue Bonds Payable, net	2,240,583	2,484,361
Unemployment Claims Reserve	64,055	64,055
Compensated Absences Payable	333,617	316,715
Total Noncurrent Liabilities	15,747,234	16,134,760
Total Liabilities	30,008,596	24,884,798
DEFERRED INFLOWS OF RESOURCES		
Pension deferrals	1,128,507	3,144,607
OPEB deferrals	5,203,573	4,336,429
Total Deferred Inflows of Resources	6,332,080	7,481,036
NET POSITION		
Net Investment in Capital Assets	68,827,571	63,099,356
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)	(1,127,190)	(682,377)
Total Net Position	72,890,381	67,606,979
Total Liabilities, Deferred Inflows of Resources and Net Position	\$ 109,231,057	\$ 99,972,813

See accompanying notes to financial statements.

TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
YEARS ENDED OCTOBER 31, 2022 AND 2021

	2022	2021
OPERATING REVENUES		
Customer Municipalities - Annual Charges	\$ 6,356,198	\$ 6,221,240
Participating Municipalities - Service Charges	6,222,688	6,438,732
Total Operating Revenues	12,578,886	12,659,972
OPERATING EXPENSES		
Administration and General	1,033,387	1,030,072
Treatment Plant and Main Pumping Station	5,604,428	5,133,824
Lines and System Pumping Stations	1,745,740	1,322,685
Depreciation	3,632,839	3,385,823
Total Operating Expenses	12,016,394	10,872,404
NET OPERATING INCOME	562,492	1,787,568
NONOPERATING REVENUES/(EXPENSES)		
Interest on Bonds	(72,231)	(61,112)
Interest Income	102,611	131,090
Federal Grants	4,452,598	899,560
Connection Fees	205,921	211,440
Miscellaneous Income	32,011	86,635
Total Nonoperating Revenues/(Expenditures)	4,720,910	1,267,613
CHANGES IN NET POSITION	5,283,402	3,055,181
Net Position - Beginning of Year	67,606,979	64,551,798
NET POSITION - END OF YEAR	\$ 72,890,381	\$ 67,606,979

See accompanying notes to financial statements.

**TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2022 AND 2021**

	<u>2022</u>	<u>2021</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from Members and Customers	\$ 11,793,307	\$ 12,685,627
Payments to Employees	(5,856,386)	(4,438,027)
Payments to Suppliers	<u>(3,561,496)</u>	<u>(4,383,955)</u>
Net Cash Provided by Operating Activities	<u>2,375,425</u>	<u>3,863,645</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES		
Purchase of Capital Assets	(5,533,925)	(4,584,681)
Proceeds from Loan Issuance	911,591	5,028,370
Federal Grants	5,446,550	-
Repayment of Revenue Bonds Payable	(235,000)	(230,000)
Repayment of NJIB Temporary Construction Loan	(4,095,199)	-
Developer's Escrow Funds Received/(Returned)	<u>8,960,840</u>	<u>(53,814)</u>
Net Cash Provided by Capital and Related Financing Activities	<u>5,454,857</u>	<u>159,875</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest Received	92,874	164,547
Interest Paid of Revenue Bonds	(76,009)	(67,094)
(Purchase) of Investment Securities	(1,677,000)	(15,785,787)
Redemption of Investment Securities	<u>7,166,688</u>	<u>14,448,381</u>
Net Cash Provided/(Used) by Investing Activities	<u>5,506,553</u>	<u>(1,239,953)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES		
Connection Fees	205,921	211,440
Miscellaneous Income	<u>84,536</u>	<u>86,635</u>
Net Cash Provided by Noncapital Financing Activities	<u>290,457</u>	<u>298,075</u>
NET INCREASE IN CASH	13,627,292	3,081,642
Cash - Beginning of Year	<u>14,564,269</u>	<u>11,482,627</u>
CASH - END OF YEAR	<u>\$ 28,191,561</u>	<u>\$ 14,564,269</u>

**TWO RIVERS WATER RECLAMATION AUTHORITY
STATEMENTS OF CASH FLOWS
YEARS ENDED OCTOBER 31, 2022 AND 2021**

	2022	2021
RECONCILIATION OF NET OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES		
Net Operating Income	\$ 562,492	\$ 1,787,568
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Depreciation	3,632,839	3,385,823
Changes in Assets, Deferred Outflows of Resources, Liabilities, and Deferred Inflows of Resources:		
(Increase)/Decrease in Receivables and Other Assets - Unrestricted	(785,579)	25,655
Increase/(Decrease) in Current Liabilities - Payable from Unrestricted Assets	98,223	(159,535)
Increase/(Decrease) in Other Liabilities and Deferrals:		
Other Liabilities	33,561	(8,094)
Accounts Payable - Pension	18,953	18,953
Net Pension Liability	1,241,246	(1,953,801)
Net OPEB Liability	(1,401,896)	430,207
Deferred Outflow - Pension Deferrals	(56,987)	686,678
Deferred Outflow - OPEB Deferrals	181,529	(361,892)
Deferred Inflow - Pension Deferrals	(2,016,100)	304,252
Deferred Inflow - OPEB Deferrals	867,144	(292,169)
Net Cash Provided by Operating Activities	\$ 2,375,425	\$ 3,863,645
RECONCILIATION TO STATEMENT OF NET POSITION:		
Unrestricted Cash and Cash Equivalents	\$ 1,370,589	\$ 2,115,018
Restricted Cash and Cash Equivalents	26,820,972	12,449,251
	\$ 28,191,561	\$ 14,564,269

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

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, 2022 and 2021

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, 2022 or 2021, respectively.

Inventories:

Inventories are valued at cost, which approximates market, using the first-in-first-out (FIFO) method. At October 31, 2022 and 2021, the value of the inventory, not held for resale, consisting of diesel fuel on hand, was \$45,414 and \$26,223, respectively.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

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, 2022 and 2021

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. Adopted and Recent Pronouncements

Adopted - 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 became effective for the Authority's October 31, 2022 financial statements. Management has evaluated the impact of this GASB Statement on the financial statements and determined it did not have a material impact on the Authority's financial statements.

Recent - In May 2020, the GASB issued Statement No. 96, "*Subscription-Based Information Technology Arrangements*". The requirements of this Statement will become effective for the Authority's October 31, 2023 financial statements. The objective of this Statement is to provide guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset—an intangible asset—and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

1. Summary of Significant Accounting Policies - (Continued)

F. Adopted and Recent Pronouncements – (Continued)

disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, “Leases”, as amended. Management is in the process of evaluating the impact of GASB Statement No. 96 on the Authority’s financial statements.

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, 2022 through the date of the financial statements were available for issuance, November 15, 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, 2022 and 2021

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, 2022, the carrying amount of the Authority's deposits was \$28,191,561 and the bank balance was \$28,199,154. Of the bank balance, \$500,000 was insured with Federal Deposit Insurance Corporation, \$18,602,687 was covered by GUDPA and \$9,096,467 was uninsured. 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.

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, 2022 and 2021

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 and Bond Anticipation Notes.

Credit Risk – As of October 31, 2022 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, 2022 and 2021.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

2. Deposits and Investments - (Continued)

Description of Investment	Interest Rates	Balance as of October 31, 2022
Bond Anticipation Notes:		
Borough of Milford	1.28%	\$ 602,000
Township of Green Brook	0.68%	1,075,000
Total Bond Anticipation Notes		<u>1,677,000</u>
Certificate of Deposit	Variable	222,841
Grand Total		<u>\$ 1,899,841</u>

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 Green Brook	0.64%	1,100,000
Township of Vernon	0.75%	419,504
Total Bond Anticipation Notes		<u>7,166,733</u>
Certificate of Deposit	Variable	222,796
Grand Total		<u>\$ 7,389,529</u>

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, 2022 and 2021

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, 2022 and 2021:

Assets at Fair Value		
as of October 31, 2022		
	Level 2	Total
Held to maturity securities:		
Bond Anticipation Notes	\$ 1,677,000	\$ 1,677,000
Certificate of Deposit	222,841	222,841
Total	\$ 1,899,841	\$ 1,899,841
Assets at Fair Value		
as of October 31, 2021		
	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

As of October 31, 2022 and 2021, 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, 2022 and 2021

3. Capital Assets

The following schedule is a summarization of the changes in capital assets for the years ended October 31, 2022 and 2021.

October 31, 2022

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
Capital assets, not being depreciated:				
Construction in Progress	\$ 7,739,806	\$ 5,204,908	\$ (3,545,756)	\$ 9,398,958
Land	1,937,121	-	-	1,937,121
Total capital assets, not being depreciated	<u>9,676,927</u>	<u>5,204,908</u>	<u>(3,545,756)</u>	<u>11,336,079</u>
Capital assets, being depreciated:				
Buildings and improvements	15,583,265	-	-	15,583,265
Other improvements	73,162,649	228,291	-	73,390,940
Sewer mains and interceptors	32,701,470	-	1,844,722	34,546,192
Pump stations	9,205,255	-	1,474,470	10,679,725
Other equipment	7,331,810	248,732	48,645	7,629,187
Vehicles	1,428,808	29,913	-	1,458,721
Total assets being depreciated	<u>139,413,257</u>	<u>506,936</u>	<u>3,367,837</u>	<u>143,288,030</u>
Accumulated depreciation	<u>(77,834,575)</u>	<u>(3,632,839)</u>	<u>-</u>	<u>(81,467,414)</u>
Total capital assets, being depreciated, net	<u>61,578,682</u>	<u>(3,125,903)</u>	<u>3,367,837</u>	<u>61,820,616</u>
Net capital assets	<u>\$ 71,255,609</u>	<u>\$ 2,079,005</u>	<u>\$ (177,919)</u>	<u>\$ 73,156,695</u>

October 31, 2021

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Transfers and Deletions</u>	<u>Ending Balance</u>
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>

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

4. Long-term liabilities

During the year ended October 31, 2022, the following changes occurred in long-term liabilities.

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
Revenue bonds payable	\$ 2,680,000	\$ -	\$ 235,000	\$ 2,445,000
Unamortized premium	43,140	-	3,779	39,362
	<u>2,723,140</u>	<u>-</u>	<u>238,779</u>	<u>2,484,362</u>
Unemployment claims reserve	64,055	-	-	64,055
Compensated absences	316,715	21,509	4,607	333,617
Sub-total	<u>3,103,910</u>	<u>21,509</u>	<u>243,386</u>	<u>2,882,034</u>
Net OPEB liability	8,697,314	-	1,401,896	7,295,418
Net pension liability	<u>4,572,315</u>	<u>1,241,246</u>	<u>-</u>	<u>5,813,561</u>
Total	<u>\$ 16,373,539</u>	<u>\$ 1,262,755</u>	<u>\$ 1,645,282</u>	<u>\$ 15,991,013</u>
Current Portion	<u>\$ 238,779</u>			<u>\$ 243,779</u>

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

	Beginning <u>Balance</u>	<u>Increases</u>	<u>Decreases</u>	Ending <u>Balance</u>
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	<u>6,526,116</u>	<u>-</u>	<u>1,953,801</u>	<u>4,572,315</u>
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>

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 \$240,000 to \$320,000. Interest rates range from 2.25% to 2.5%.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

4. Long-term liabilities – (Continued)

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. During the 2021 fiscal year, the loan for the construction of a new main pump station was increased to an amount not to exceed \$90,000,000. In March 2022, the Authority paid off the balance on this construction loan.

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, 2022 and 2021, the cumulative draw downs on these loans totaled \$5,979,525 and \$5,433,113. As of October 31, 2022 and 2021, the balance on the construction loans, net of payments, totaled \$1,844,762 and \$5,433,113. 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>
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	270,000	34,531	304,531
2028-2031	<u>1,180,000</u>	<u>74,225</u>	<u>1,254,225</u>
	<u>\$ 2,445,000</u>	<u>\$ 303,581</u>	<u>\$ 2,748,581</u>

5. Compensated Absences

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

Authority employees are granted vacation and sick leave in varying amounts under the Authority’s personnel policies and according to negotiated contracts. In the event of retirement, according to contract, an employee is reimbursed for accumulated vacation and sick leave. The liability for vested compensated absences of the Authority amounted to \$333,617 and \$316,715 as of October 31, 2022 and 2021, respectively.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

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 2022 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, 2022, 2021 and 2020 were \$485,786, \$452,008 and \$437,792, respectively, equal to the required contributions for each year.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

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, 2022 and 2021, the Authority reported a liability of \$5,813,561 and \$4,572,315, respectively, for its proportionate share of the net pension liability. The October 31, 2022 net pension liability was measured as of June 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation at July 1, 2021, which was rolled forward to June 30, 2022. The Authority's proportion of the net pension liability was based on a projection of the Authority's long-term share of contributions to the pension plan relative to the projected contributions of all participating members of the Non-State Employer Group, actuarially determined. At June 30, 2022, the Authority's proportion was 0.0385224029 percent, which was a decrease of 0.0000739371 percent from its proportion measured as of June 30, 2021 of 0.03859634 percent. For the years ended October 31, 2022 and 2021, the Authority recognized full accrual pension benefit of \$(786,803) and \$(943,919), respectively, in the financial statements.

At October 31, 2022 and 2021, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

	2022	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ 18,012	\$ 870,520
Net difference between projected and actual investment earnings on pension plan investments	240,618	-
Changes in proportion	87,558	220,985
Difference between expected and actual experience	41,960	37,002
Authority contributions subsequent to the measurement date	161,929	-
	\$ 550,077	\$ 1,128,507
	2021	
	Deferred Outflows of Resources	Deferred Inflows of Resources
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	-
	\$ 493,090	\$ 3,144,607

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

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, 2022, \$161,929 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
2023	\$ (514,771)
2024	(313,907)
2025	(173,921)
2026	262,906
2027	(666)
Total	<u>\$ (740,359)</u>

Actuarial Assumptions

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

<u>June 30, 2022</u>	
Inflation rate:	
Price	2.75%
Wage	3.25%
Salary Increases:	2.75-6.55%
	based on years of service
Investment rate of return	7.00%

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

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-2021.

The actuarial assumptions used in the July 1, 2021 valuation were based on the results of an actuarial experience study for the period July 1, 2018 to June 30, 2021. 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, 2022 and 2021) is determined by the State Treasurer, after consultation with the Directors of the Division of Investment and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 and 2021 are summarized in the following tables:

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

6. Pension Plans - (Continued)

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

2022		
Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S. Equity	27.00%	8.12%
Non-U.S. Developed Markets Equity	13.50%	8.38%
Emerging Markets Equity	5.50%	10.33%
Private Equity	13.00%	11.80%
Real Estate	8.00%	11.19%
Real Assets	3.00%	7.60%
High Yield	4.00%	4.95%
Private Credit	8.00%	8.10%
Investment Grade Credit	7.00%	3.38%
Cash Equivalents	4.00%	1.75%
U.S. Treasuries	4.00%	1.75%
Risk Mitigation Strategies	3.00%	4.91%

2021		
Asset Class	Target Allocation	Long Term Expected Real Rate of Return
U.S. 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%

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

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, 2022 and June 30, 2021. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

Sensitivity of the 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, 2022 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	\$7,468,723	\$ 5,813,561	\$4,404,952

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

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

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, 2022 and 2021 were \$32,568,122,309 and \$35,707,804,636, respectively. The portion of the Plan Fiduciary Net Position that was allocable to the Local (Non-State) Group at June 30, 2022 and 2021 was \$25,810,084,045 and \$28,386,785,177, respectively.

Additional Information

Collective balances of the Local Group at the end of the current measurement period, June 30, 2022 are as follows:

Collective deferred outflows of resources	\$ 1,660,772,008
Collective deferred inflows of resources	3,236,303,935
Collective net pension liability	15,219,184,920
Authority's Proportion	0.0385224029%

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 Local Group pension expense for the Local Group for the measurement period ended June 30, 2022 and 2021 was \$(1,032,778,934) and \$(1,599,674,464), respectively. The average of the expected remaining service lives of all plan members is 5.04, 5.13, 5.16, 5.21, 5.63, 5.48, and 5.57 years for the 2022, 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, 2023 contribution that was paid in full at the beginning of the fiscal year.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

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, 2022 and June 30, 2021 are \$1,288,683,017 and \$1,207,896,120, 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, 2022 and 2021, the Authority reported a liability of \$7,295,418 and \$8,697,314, respectively for its proportionate share of the net OPEB liability. The net OPEB liability as of October 31, 2022 was determined by an actuarial valuation as of June 30, 2021 which was rolled forward to June 30, 2022. 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 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, 2022 and 2021, the Authority's proportion was 0.045174 and 0.048319 percent, respectively.

For the years ended October 31, 2022 and 2021, the Authority recognized an OPEB benefit of \$(353,223) and \$(223,854), respectively. At October 31, 2022, the Authority reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

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

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
Changes between expected and actual experience	\$ 376,743	\$ 1,352,260
Changes of assumptions	973,604	2,489,786
Changes in proportion	725,330	1,361,527
Net difference between projected and actual investment earnings on OPEB plan investments	<u>1,921</u>	<u> </u>
	<u>\$ 2,077,598</u>	<u>\$ 5,203,573</u>

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

	<u>Deferred Outflows Of Resources</u>	<u>Deferred Inflows Of Resources</u>
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	<u>4,159</u>	<u>-</u>
	<u>\$ 2,259,127</u>	<u>\$ 4,336,429</u>

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

<u>Year ending October 31,</u>	<u>Amount</u>
2023	\$ (898,575)
2024	(899,099)
2025	(573,364)
2026	(261,434)
2027	(40,998)
Thereafter	<u>(452,505)</u>
Total	<u><u>\$(3,125,975)</u></u>

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

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

Discount Rate

The discount rate for June 30, 2022 and 2021 was 3.54% and 2.16%, 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, 2022 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, 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.

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 2022 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, 2022 calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current discount rate:

	1% Decrease (2.54%)	June 30, 2022 At Discount Rate (3.54%)	1% Increase (4.54%)
Total Net OPEB Liability	\$ 18,720,632,230	\$ 16,149,595,478	\$ 14,080,955,857
Authority's Share	\$ 8,456,858	\$ 7,295,418	\$ 6,360,931

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

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, 2021 calculated using a discount rate that is 1-percentage-point lower or 1-percentage-point higher than the current trend 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

The following presents the Authority's proportionate share of the net OPEB liability associated with the Authority as of June 30, 2022 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, 2022 Healthcare Cost Trend Rate	1% Increase
Total Net OPEB Liability	\$ 18,720,632,230	\$ 16,149,595,478	\$ 14,080,955,857
Authority's Share	\$ 8,456,858	\$ 7,295,418	\$ 6,360,931

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

Actuarial assumptions and other inputs

The total OPEB liability as of June 30, 2022 was determined by an actuarial valuation as of June 30, 2021, which was rolled forward to June 30, 2022. The 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.

TWO RIVERS WATER RECLAMATION AUTHORITY
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Years Ended October 31, 2022 and 2021

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

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:

Salary Increases*:	
Rate for all future years	2.75 - 6.55%
Mortality:	
PERS	Pub-2010 General classification headcount weighted mortality with fully generational mortality improvement projections from the central year using Scale MP-2021

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

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

The average service lives of all plan members is 7.82, 7.82, 7.87, 8.05, 8.14 and 8.04 years for 2022, 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.

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.

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Basic Financial Statements
Years Ended October 31, 2022 and 2021

10. Risk Management – (Continued)

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, 2022 and 2021 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

On December 22, 2022, the Authority issued Revenue Bonds (Junior Lien), Series 2022 in the amount of \$1,817,361, with an interest rate of 5% and a final maturity date of August 1, 2027.

In June 2023, the Authority was awarded \$21,000,000 of federal funding to upgrade the main pump station. The funding comes from the Federal Emergency Management Agency's COVID-19 Hazard Mitigation Assistance Grant Program.

On October 26, 2023, the Authority issued a temporary construction loan through the Water Bank Construction Financing Program of the New Jersey Infrastructure Bank in the amount of \$123,272,021 and a final maturity date of June 30, 2027. The interest rate is set monthly by the New Jersey Infrastructure Bank. As of the date of this report, the interest rate for the month of November 2023 was 0.37%.

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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability (asset) - Local Group	0.038522%	0.038596%	0.040019%	0.040235%	0.039009%	0.038096%	0.034481%	0.036721%	0.035562%	N/A
Authority's proportionate share of the net pension liability (asset)	\$ 5,813,561	\$ 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
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
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	210.78%	163.27%	222.93%	255.53%	282.52%	345.57%	418.97%	333.20%	260.692773%	N/A
Plan fiduciary net position as a percentage of the total pension liability - Local Group	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	40.14%	47.93%	48.72%	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, 2021 and June 30, 2022.

**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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 485,786	\$ 452,008	\$ 437,793	\$ 392,687	\$ 389,301	\$ 356,766	\$ 306,321	\$ 315,702	\$ 293,167	\$ 295,253
Contributions in relation to the contractually required contribution	<u>(485,786)</u>	<u>(452,008)</u>	<u>(437,793)</u>	<u>(392,687)</u>	<u>(389,301)</u>	<u>(356,766)</u>	<u>(306,321)</u>	<u>(315,702)</u>	<u>(293,167)</u>	<u>(295,253)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered-employee payroll	\$ 2,960,303	\$ 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
Contributions as a percentage of covered-employee payroll	16.41%	16.39%	15.63%	13.41%	13.72%	13.12%	11.94%	12.95%	11.85%	11.56%

**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

	2022	2021	2020	2019	Year Ended June 30,		2016	2015	2014	2013
					2018	2017				
Authority's proportion of the net OPEB liability (asset)	0.0451740000%	0.0483190000%	0.0460650000%	0.0438160000%	0.4638000000%	0.0467040000%	0.0537190000%	N/A	N/A	N/A
Authority's proportionate share of the net OPEB liability (asset)	\$ 7,295,418	\$ 8,697,314	\$ 8,267,107	\$ 5,935,347	\$ 7,261,164	\$ 9,534,990	\$ 11,666,405	N/A	N/A	N/A
Authority's covered-employee payroll	\$ 2,758,125	\$ 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
Authority's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	264.51%	310.57%	282.40%	209.20%	267.09%	371.56%	478.63%	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.

Note to Required Supplementary Information

Benefit Changes

There were none.

Changes of Assumptions

The discount rate changed from 2.16% as of June 30, 2021 to 3.54% as of June 30, 2022.

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,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
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	\$ 2,758,125	\$ 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	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, 2022 and 2021**

	For the year ended October 31, 2022				For the year ended October 31, 2021			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES:								
Revenues from Customer Municipalities and Government Facilities:								
Eatontown	\$ 6,511,220	\$ 6,511,220	\$ 1,815,373	\$ 1,815,373	\$ 6,300,000	\$ 6,300,000	\$ 1,448,165	\$ 1,448,165
Tinton Falls			1,251,233	1,251,233			1,047,375	1,047,375
Red Bank			1,294,957	1,294,957			1,343,539	1,343,539
Rumson			1,535,733	1,535,733			1,723,230	1,723,230
Sea Bright			259,151	259,151			462,960	462,960
Township of Shrewsbury			199,751	199,751			195,971	195,971
	<u>6,511,220</u>	<u>6,511,220</u>	<u>6,356,198</u>	<u>(155,022)</u>	<u>6,300,000</u>	<u>6,300,000</u>	<u>6,221,240</u>	<u>(78,760)</u>
Service Charges:								
Individual Billings Member Towns	<u>5,895,000</u>	<u>5,895,000</u>	<u>6,222,688</u>	<u>327,688</u>	<u>5,895,000</u>	<u>5,895,000</u>	<u>6,438,732</u>	<u>543,732</u>
Interest on Investments	<u>300,000</u>	<u>300,000</u>	<u>102,611</u>	<u>(197,389)</u>	<u>300,000</u>	<u>300,000</u>	<u>131,090</u>	<u>(168,910)</u>
Other Fees:								
Connection Charges	<u>480,000</u>	<u>480,000</u>	<u>205,921</u>	<u>(274,079)</u>	<u>480,000</u>	<u>480,000</u>	<u>211,440</u>	<u>(268,560)</u>
Miscellaneous Income	<u>25,000</u>	<u>25,000</u>	<u>32,011</u>	<u>7,011</u>	<u>25,000</u>	<u>25,000</u>	<u>86,635</u>	<u>61,635</u>
	<u>505,000</u>	<u>505,000</u>	<u>237,932</u>	<u>(267,068)</u>	<u>505,000</u>	<u>505,000</u>	<u>298,075</u>	<u>(206,925)</u>
TOTAL REVENUES	<u>13,211,220</u>	<u>13,211,220</u>	<u>12,919,429</u>	<u>(291,791)</u>	<u>13,000,000</u>	<u>13,000,000</u>	<u>13,089,137</u>	<u>89,137</u>
EXPENSES:								
Administrative and General Expenses:								
Administrative Salaries and Wages	708,000	708,000	669,211	38,789	540,000	540,000	758,230	(218,230)
Employee Benefits	160,000	160,000	154,955	5,045	140,000	140,000	155,692	(15,692)
FICA and Medicare	50,000	50,000	7,769	42,231	113,000	113,000	46,481	66,519
Employee Medical Related	3,000	3,000	1,686	1,314	2,000	2,000	2,108	(108)
Pension PERS	400,000	400,000	452,008	(52,008)	350,000	350,000	437,793	(87,793)
Billing Expenses:								
Computer Service	40,331	40,331	54,361	(14,030)	26,500	26,500	69,044	(42,544)
Billing Postage	28,000	28,000	27,023	977	28,000	28,000	741	27,259
Bank Fees	20,000	20,000	42,445	(22,445)	4,000	4,000	24,168	(20,168)
Office Expenses:								
Other Postage	4,500	4,500	2,516	1,984	4,500	4,500	6,417	(1,917)
Stationary and Supplies	20,000	20,000	11,816	8,184	20,000	20,000	13,629	6,371
Equipment Rental and Supplies	30,000	30,000	44,608	(14,608)	40,000	40,000	18,344	21,656
Printing	7,000	7,000	1,010	5,990	10,000	10,000	3,440	6,560
Equipment Service Contracts	6,000	6,000	13,237	(7,237)	6,000	6,000	9,028	(3,028)
Telephone	18,000	18,000	21,280	(3,280)	18,000	18,000	21,817	(3,817)

**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, 2022 and 2021**

	For the year ended October 31, 2022				For the year ended October 31, 2021			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENSES (Continued):								
General Expenses:								
Conferences and Training	\$ 6,000	\$ 6,000	\$ 13,960	\$ (7,960)	\$ 1,500	\$ 1,500	\$ 10,819	\$ (9,319)
Commissioners Conference	3,000	3,000	2,740	260	150	150	-	150
Travel Expenses	3,000	3,000	8,319	(5,319)	2,500	2,500	4,716	(2,216)
Motor Vehicle Fees	5,000	5,000	5,306	(306)	5,000	5,000	4,932	68
Auto and Fire Liability Business Insurance	180,000	180,000	183,912	(3,912)	220,000	220,000	155,690	64,310
Worker's Compensation Insurance	120,000	120,000	121,038	(1,038)	120,000	120,000	102,720	17,280
Advertising Fees	5,000	5,000	1,450	3,550	2,380	2,380	4,608	(2,228)
NJ iBank Administration & Agent Fees	-	-	32,200	(32,200)	-	-	-	-
Dues and Membership	10,000	10,000	8,886	1,114	9,000	9,000	9,247	(247)
Subscriptions	200	200	30	170	200	200	30	170
Gift Baskets	500	500	-	500	500	500	112	388
Meeting Expenses	2,000	2,000	2,920	(920)	1,220	1,220	1,237	(17)
Equipment Renewal and Replacement	-	-	813	(813)	-	-	9,851	(9,851)
Leases of R.R. Property	300	300	127	173	300	300	119	181
Long Branch Sewerage Authority	4,000	4,000	3,609	391	4,000	4,000	3,773	227
Contingency	10,000	10,000	-	10,000	61,000	61,000	-	61,000
Professional Expenses:								
Legal Fees	90,000	90,000	87,032	2,968	90,000	90,000	112,337	(22,337)
Engineering Fees	155,000	155,000	121,090	33,910	155,000	155,000	91,139	63,861
Trustee Fees	15,000	15,000	15,000	-	13,000	13,000	19,500	(6,500)
Auditors Fees	75,000	75,000	39,900	35,100	60,000	60,000	68,938	(8,938)
Investment Management Fees	36,000	36,000	36,000	-	32,000	32,000	36,000	(4,000)
Pre-Employment Physical Fees	500	500	156	344	500	500	417	83
Total Administrative and General Expenses	2,215,331	2,215,331	2,173,413	41,918	2,080,250	2,080,250	2,203,117	(122,867)
Treatment Plant and Main Pumping Expenses:								
Plant Salaries and Wages	2,320,000	2,320,000	2,221,853	98,147	2,190,000	2,190,000	2,000,075	189,925
Employee Benefits	598,000	598,000	528,157	69,843	695,000	695,000	475,364	219,636
FICA and Medicare	180,000	180,000	160,295	19,705	170,000	170,000	148,283	21,717
Other Treatment Plant Expenses:								
Conferences and Training	15,000	15,000	36	14,964	15,000	15,000	2,617	12,383
Electricity	700,000	700,000	724,060	(24,060)	800,000	800,000	489,061	310,939
Fuel - Diesel	40,000	40,000	52,815	(12,815)	40,000	40,000	32,965	7,035
Natural Gas	60,000	60,000	64,909	(4,909)	60,000	60,000	56,184	3,816
Sodium Hypochlorite	85,000	85,000	47,774	37,226	65,000	65,000	79,637	(14,637)
Polymer	80,000	80,000	127,975	(47,975)	70,000	70,000	124,478	(54,478)
Hydrogen Peroxide	80,000	80,000	44,101	35,899	60,000	60,000	85,870	(25,870)

**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, 2022 and 2021**

	For the year ended October 31, 2022				For the year ended October 31, 2021			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENSES (Continued):								
Fuel - Unleaded	\$ 10,000	\$ 10,000	\$ 7,376	\$ 2,624	\$ 10,000	\$ 10,000	\$ 4,566	\$ 5,434
Truck Maintenance	75,000	75,000	76,114	(1,114)	75,000	75,000	57,795	17,205
DEP and EPA Permits	70,000	70,000	76,806	(6,806)	70,000	70,000	53,253	16,747
Calibration Services	25,000	25,000	38,874	(13,874)	25,000	25,000	18,042	6,958
Water	70,000	70,000	40,051	29,949	70,000	70,000	43,234	26,766
Stationary Supplies	-	-	349	(349)	-	-	-	-
Maintenance Supplies	50,000	50,000	37,088	12,912	60,000	60,000	58,155	1,845
Equipment Service Contracts	55,000	55,000	72,844	(17,844)	75,000	75,000	45,706	29,294
Equipment Repair	130,000	130,000	188,752	(58,752)	125,000	125,000	167,646	(42,646)
Uniforms and Gloves	15,000	15,000	12,305	2,695	15,000	15,000	13,416	1,584
Equipment Replacement	80,000	80,000	251,964	(171,964)	75,000	75,000	38,633	36,367
Sludge Removal	900,000	900,000	815,255	84,745	925,000	925,000	839,021	85,979
Ash, Grit, and Screenings	20,000	20,000	15,025	4,975	20,000	20,000	14,800	5,200
Laboratory Supplies	30,000	30,000	27,499	2,501	30,000	30,000	52,714	(22,714)
Outside Lab Fees	60,000	60,000	73,650	(13,650)	60,000	60,000	54,285	5,715
Municipal Services	35,000	35,000	40,000	(5,000)	35,000	35,000	35,572	(572)
Janitorial Supplies	12,000	12,000	13,776	(1,776)	12,000	12,000	6,835	5,165
Building and Ground Maintenance	75,000	75,000	183,320	(108,320)	75,000	75,000	59,832	15,168
Travel Expenses	50	50	108	(58)	50	50	-	50
Contingency	50,000	50,000	-	50,000	300,000	300,000	-	300,000
Plant Renewal and Replacement	-	-	11,639	(11,639)	-	-	69,189	(69,189)
New Equipment	80,000	80,000	90,281	(10,281)	100,000	100,000	60,342	39,658
Safety	40,000	40,000	68,278	(28,278)	50,000	50,000	57,331	(7,331)
Subscriptions	100	100	-	100	100	100	-	100
Penalties	15,000	15,000	-	15,000	-	-	-	-
Covid-19 Expenses	5,000	5,000	(1,965)	6,965	25,000	25,000	5,285	19,715
Total Treatment Plant and Main Pumping Expenses	6,060,150	6,060,150	6,111,364	(51,214)	6,397,150	6,397,150	5,250,186	1,146,964
Lines and System Pumping Station:								
Line Salaries and Wages	343,000	343,000	351,511	(8,511)	260,000	260,000	261,990	(1,990)
Employee Benefits	152,000	152,000	118,948	33,052	140,000	140,000	132,496	7,504
FICA and Medicare	20,000	20,000	23,882	(3,882)	20,000	20,000	19,516	484
Other Lines Expenses:								
Stationary and Supplies	500	500	563	(63)	900	900	-	900
Conferences and Training	2,000	2,000	-	2,000	2,000	2,000	100	1,900
Electricity	95,000	95,000	57,374	37,626	95,000	95,000	79,404	15,596
Fuel - Unleaded Gasoline	20,000	20,000	42,841	(22,841)	20,000	20,000	27,397	(7,397)
Equipment Service - Contracts	7,000	7,000	3,873	3,127	7,000	7,000	5,874	1,126
Truck Maintenance	10,000	10,000	7,457	2,543	10,000	10,000	17,488	(7,488)
Natural Gas	41,000	41,000	29,744	11,256	41,000	41,000	36,126	4,874
Hydrogen Peroxide	-	-	16,241	(16,241)	-	-	-	-
Nitrate Oxygen	45,000	45,000	78,278	(33,278)	45,000	45,000	66,706	(21,706)
Travel Expenses	-	-	42	(42)	-	-	-	-

**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, 2022 and 2021**

	For the year ended October 31, 2022				For the year ended October 31, 2021			
	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
EXPENSES (Continued):								
Maintenance and Supplies	\$ 25,000	\$ 25,000	\$ 17,372	\$ 7,628	\$ 25,000	\$ 25,000	\$ 34,396	\$ (9,396)
Uniforms and Gloves	2,000	2,000	322	1,678	3,500	3,500	3,103	397
Buildings and Grounds Maintenance	30,000	30,000	69,590	(39,590)	31,000	31,000	64,183	(33,183)
Bioxide 71	100,000	100,000	114,108	(14,108)	85,000	85,000	130,168	(45,168)
Maintenance of Lines	250,000	250,000	534,786	(284,786)	425,000	425,000	222,530	202,470
Safety	-	-	4,697	(4,697)	-	-	4,768	(4,768)
Water	4,000	4,000	-	4,000	4,000	4,000	1,177	2,823
Meter Calibration	15,000	15,000	13,138	1,862	15,000	15,000	20,050	(5,050)
Communications Equipment	2,000	2,000	2,391	(391)	2,500	2,500	8,193	(5,693)
Equipment Repair	70,000	70,000	82,738	(12,738)	110,000	110,000	150,373	(40,373)
Equipment Replacement	50,000	50,000	165,303	(115,303)	75,000	75,000	97,005	(22,005)
Contingency	25,000	25,000	-	25,000	195,950	195,950	-	195,950
New Equipment	20,000	20,000	10,629	9,371	20,000	20,000	6,303	13,697
Total Lines and System Pumping Station Expenses	1,328,500	1,328,500	1,745,828	(417,328)	1,632,850	1,632,850	1,389,346	243,504
TOTAL OPERATING EXPENSES	9,603,981	9,603,981	10,030,605	(426,624)	10,110,250	10,110,250	8,842,649	1,267,601
OTHER COSTS FUNDED BY OPERATING REVENUES:								
Bond Principal	235,000	235,000	235,000	-	230,000	230,000	230,000	-
Interest on Bonds	62,206	62,206	72,231	(10,025)	67,094	67,094	61,112	5,982
Renewal and Replacement	1,120,000	1,120,000	-	1,120,000			153,175	(153,175)
TOTAL COSTS FUNDED BY OPERATING REVENUES	1,417,206	1,417,206	307,231	1,109,975	297,094	297,094	444,287	(147,193)
TOTAL EXPENSES	11,021,187	11,021,187	10,337,836	683,351	10,407,344	10,407,344	9,286,936	1,120,408
BUDGETARY REVENUES OVER EXPENSES	\$ 2,190,033	\$ 2,190,033	\$ 2,581,593	\$ 391,560	\$ 2,592,656.00	\$ 2,592,656.00	\$ 3,802,201	\$ 1,209,545
Reconciliation of Budgetary Basis to Net Income:			Actual				Actual	
Budgetary revenues over expenses			\$ 2,581,593				\$ 3,802,201	
Adjustments to budgetary basis:								
Unbudgeted OPEB Benefit - GASB 75			353,223				223,854	
Unbudgeted Pension Benefit - GASB 68			786,803				943,919	
Depreciation expense			(3,632,839)				(3,385,823)	
Bond principal maturity			235,000				230,000	
Capital outlay expenditures			507,024				341,470	
Federal grant revenue			4,452,598				899,560	
Total Adjustments			2,701,809				(747,020)	
GAAP Basis Change in Net Position			<u>\$ 5,283,402</u>				<u>\$ 3,055,181</u>	

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

**SCHEDULE OF LONG-TERM REVENUE BONDS PAYABLE
YEAR ENDED OCTOBER 31, 2022**

Purpose	Date of Issue	Maturities		Interest Rate	Balance October 31, 2021	Paid	Balance October 31, 2022
		Date	Amount				
\$3,770,000 Series 2016 Revenue Bonds - To provide funds for improvements and upgrades to the wastewater treatment system.	3/31/2016	06/01/23	\$ 240,000	2.250%			
		06/01/24	245,000	2.250%			
		06/01/25	250,000	2.250%			
		06/01/26	260,000	2.250%			
		06/01/27	270,000	2.250%			
		06/01/28	275,000	2.250%			
		06/01/29	285,000	2.375%			
		06/01/30	300,000	2.500%			
		06/01/31	320,000	2.500%			
TOTAL					\$ 2,680,000	\$ 235,000	\$ 2,445,000
					\$ 2,680,000	\$ 235,000	\$ 2,445,000
Current Portion					\$ 235,000		\$ 240,000
Long-Term Liability Revenue Bonds					2,445,000		2,205,000
Subtotal Revenue Supported Debt					2,680,000		2,445,000
Unamortized Bond Premium					43,140		39,362
TOTAL					\$ 2,723,140		\$ 2,484,362

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
ANALYSIS OF CAPITAL PROJECTS
YEAR ENDED OCTOBER 31, 2022**

<u>Asset Category</u>	<u>Project Description</u>	<u>Amount Capitalized</u>
Other Improvements		
	Storage Concrete Repair	\$ 31,635
	Wier Gate Repair	10,612
	Storage Tank Blower Piping Modification	19,053
	Clarifier 2 Repair	12,831
	Gates for Distribution Chamber	12,885
	Treatment Plant Fire Alarm	107,370
	Brackets for Clarifier	20,000
	Parts #2	13,905
		<hr/>
Total Other Improvements		228,291
Vehicles		
	2022 Ford Explorer	29,913
		<hr/>
Total Vehicles		29,913
Other Equipment		
	WAS Piping Replacement	70,608
	Grinder Installation	42,698
	Plant PLC Hardware	21,765
	Electrical Station Upgrades	37,375
	Used 10' Pump With Hose	14,876
	Unit Heaters - Dewatering	23,516
	NPW Strainer	24,629
	Lugger Bin Access Platform	13,265
		<hr/>
Total Other Equipment		248,732
Construction in Progress		
	PS 12	418,630
	Little Silver Interceptor	134,420
	Fort Design	75,545
	Main Pump Station Replacement	605,119
	Lateral Install/Paving	35,250
	Grinder Installation	48,645
	Clarifier Rehabilitation	366,975
	Major Interceptor Rehab	81,320
	Voltage Regulators	8,250
	Fort Construction	1,262,401
	EPS FEMA BRIC	495
	Odor Control System	2,167,858
		<hr/>
Total Construction in Progress		5,204,908
Total		<hr/> <hr/>
		\$ 5,711,844
Detail:		
Additions to Construction in Progress		\$ 5,204,908
Current Year's Acquisitions		506,936
		<hr/> <hr/>
		\$ 5,711,844

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, 2022, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements, and have issued our report thereon dated November 15, 2023.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Authority's internal control over financial reporting (internal control) 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We identified a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2022-001 that we consider to be a significant deficiency.

PKF O'CONNOR DAVIES, LLP
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Report on Compliance and Other Matters

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

Authority's Response to Findings

The Authority's response to the findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The Authority's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

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* and audit requirements as prescribed by the Division in considering the Authority's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'Connor Davies, LLP
Cranford, New Jersey
November 15, 2023



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for Each Major Federal Program

Opinion on Each Major Federal Program

We have audited the Two Rivers Water Reclamation Authority's, Monmouth Beach, New Jersey (the "Authority") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the Authority's major federal programs for the year ended October 31, 2022. The Authority's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

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

Basis for Opinion on Each Major Federal Program

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

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

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

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Responsibilities of Management for Compliance

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

Auditors' Responsibilities for the Audit of Compliance

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

In performing an audit in accordance with GAAS, *Government Auditing Standards* and the Uniform Guidance, we:

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

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

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

Page 3

Report on Internal Control Over Compliance

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

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

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

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 upon the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

PKF O'Connor Davies, LLP

PKF O'CONNOR DAVIES, LLP

Cranford, New Jersey

November 15, 2023

TWO RIVERS WATER RECLAMATION AUTHORITY

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

<u>FEDERAL GRANTOR/PASS - THROUGH GRANTOR/PROGRAM OR CLUSTER TITLE</u>	<u>ASSISTANCE LISTING NUMBER</u>	<u>GRANT PERIOD</u>	<u>PASS-THROUGH GRANTOR'S NUMBER</u>	<u>PROVIDED TO SUBRECIPIENTS</u>	<u>FEDERAL EXPENDITURES</u>
U.S. Department of Homeland Security					
Pass-through State of New Jersey					
Disaster Grant - Public Assistance - Presidentially Declared Disasters	97.036	2012 - Ongoing	Not Applicable	\$ -	\$ 3,190,197
U.S. Department of the Treasury					
Pass-Through Fort Monmouth Economic Revitalization Authority:					
COVID-19 Coronavirus State and Local Fiscal Recovery Funds	21.027	3/3/2021-12/31/2024	Not Applicable	-	1,262,401
				<u>\$ -</u>	<u>\$ 4,452,598</u>

See Accompanying Notes to Schedule of Expenditures of Federal Awards

TWO RIVERS WATER RECLAMATION AUTHORITY
Notes to the Schedule of Expenditures of Federal Awards
For the Year Ended October 31, 2022

Note 1. General

The accompanying schedule of expenditures of federal awards presents the activity of all expenditures of federal award 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*. All federal awards received directly from federal agencies, as well as federal awards passed through other agencies is included on this schedule of expenditures of federal awards.

Note 2. Summary of Significant Account Policies

The accompanying schedule of expenditures of federal awards is presented on the budgetary basis of accounting. This basis of accounting is described in Note 1 to the Authority's basic financial statements. The information in this schedule is presented in accordance with the requirements of 2 CFR 200-*Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*. 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 Financial Reports

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

Note 5. 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, 2022**

Part I - 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? X Yes _____ 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>
<u>21.027</u>	<u>COVID-19 Coronavirus State and Local Fiscal Recovery Funds</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, 2022**

Part II – Schedule of Financial Statement Findings

Finding 2022-001 (Significant Deficiency):

Condition: The Authority is undertaking several capital projects with various funding sources. Due to the addition of new projects, the Authority’s general ledger required journal entries to correct account balances, which were mostly attributable to the addition of these new projects and funding sources.

Criteria: The Authority’s financial statement close process and procedures were not adhered to resulting in general ledger balances that did not agree to the following supporting records:

- Accounts receivable and accounts payable discrepancies;
- Debt balances not reconciled to the supporting records;
- Capitalization of encumbrances

Context: Management should review the ending general ledger balances closely and agree the amounts to supporting schedules.

Cause and Effect: Lack of detailed monitoring and review of closed balances prior to submission of financial records for audit.

Recommendation: We suggest that the Authority enhance its financial statement close process and procedures.

Authority Response: The Authority has reviewed this finding and has indicated corrective action will be taken.

Part III – Schedule of Federal Award Findings and Questioned Costs

NONE

Other Information

TWO RIVERS WATER RECLAMATION AUTHORITY

ROSTER OF OFFICIALS

YEAR ENDED OCTOBER 31, 2022

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 fund 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, 2022

UNAUDITED

A blanket policy issued by the New Jersey Utility Authorities Joint Insurance Fund for a one-year period expiring on January 1, 2023, 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, 2022
Unaudited**

Contract Number	Project	Account Number	Amount Billed to Customer Towns	Total Project Cost	Cost		
					Legal	Engineering	Construction
155A	Pump Station 12 Electrical Upgrades	104-004	\$ 265,241	\$ 347,677	\$ -	\$ 160,860	\$ 186,817
N/A	Pump Station Control Panels	104-005	11,781	51,566	-	-	51,566
N/A	Fort Monmouth Sewer Replacement	104-009	-	272,922	47,017	200,705	25,200
N/A	Little Silver Interceptor	104-011	134,420	134,420	-	-	134,420
181	Main Pump Station Replacement	104-014	-	4,980,817	66,446	4,576,850	337,521
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	1,206,071	1,127,020	3,385	86,776	1,036,859
169A	Major Interceptor Rehab	104-025	-	1,849,104	7,540	-	1,841,564
195	Grinder Installation/Channel Grinder PS# 3, 5, 12 & 13	104-026	417,933	417,933	-	-	417,933
190	WAS Piping Replacement/Pump & Motor Repair	104-027	-	52,593	-	-	52,593
199	Odor Control System	104-028	2,478,096	2,698,197	1,591	334,634	2,361,972
203	Clarifier Rehabilitation	104-030	366,975	366,975	-	59,477	307,498
Totals			<u>\$ 5,144,328</u>	<u>\$ 13,523,797</u>	<u>\$ 125,979</u>	<u>\$ 5,495,718</u>	<u>\$ 7,902,099</u>

Note: This Project Activity Schedule includes all Projects in Excess of \$50,000.00 from Fiscal Year 2017 through Fiscal Year 2022

**TWO RIVERS WATER RECLAMATION AUTHORITY
COUNTY OF MONMOUTH, NEW JERSEY
FISCAL YEAR ENDED OCTOBER 31, 2022**

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, 2022, 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 \$44,000 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 2022-001:

Condition: The Authority is undertaking several capital projects with various funding sources. Due to the addition of new projects, the Authority's general ledger required journal entries to correct account balances, which were mostly attributable to the addition of these new projects and funding sources.

Criteria: The Authority's financial statement close process and procedures were not adhered to resulting in general ledger balances that did not agree to the supporting records:

- Accounts receivables and accounts payable discrepancies;
- Debt balances not reconciled to the supporting records;
- Capitalization of encumbrances

Context: Management should review the ending general ledger balances closely and agree the amounts to supporting schedules.

Cause and Effect: Lack of detailed monitoring and review of closed balances prior to submission of financial records for audit.

Recommendation: We suggest that the Authority enhance its financial statement close process and procedures.

Authority Response: The Authority has reviewed this finding and has indicated corrective action will be taken.

A test of employees' compensation and payroll deductions for the year ended October 31, 2022 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, 2022 and 2021.

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.

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

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