

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River,
County of Ocean, State of New Jersey)

Financial Statements and Supplementary Schedules

For the years ended December 31, 2020 and 2019

(With Independent Auditor's Report thereon)

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River,
County of Ocean, State of New Jersey)
Financial Statements and Supplementary Schedules
December 31, 2020 and 2019

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INDEPENDENT AUDITOR'S REPORT

The Chairman and Commissioners
of South Toms River Sewerage Authority
South Toms River, New Jersey 08757

Report on the Financial Statements

We have audited the accompanying financial statements of business-type activities of the South Toms River Sewerage Authority, a component unit of the Borough of South Toms River, County of Ocean, State of New Jersey, as of and for the years ended December 31, 2020 and 2019, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes 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.

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the South Toms River Sewerage Authority, a component unit of the Borough of South Toms River, County of Ocean, State of New Jersey, as of December 31, 2020 and 2019, and the respective 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.

Other Matters

Required Supplementary Information

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

Other Information

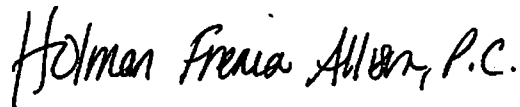
Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the South Toms River Sewerage Authority's basic financial statements. The accompanying schedules of revenues and expenses – budget to actual is presented for purposes of additional analysis as required by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, and is not a required part of the basic financial statements.

The accompanying schedules of revenues and expenses – budget to actual 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 accompanying schedules of revenues and expenses – budget to actual is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 23, 2021, on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

Respectfully Submitted,



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 23, 2021
Lakewood, New Jersey



Certified Public Accountants + Advisors

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

The Chairman and Commissioners
of South Toms River Sewerage Authority
South Toms River, 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 audit requirements as prescribed by Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the financial statements of the business-type activities of the South Toms River Sewerage Authority, a component unit of the Borough of South Toms River, County of Ocean, State of New Jersey (herein referred to as "the Authority"), as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Authority's basic financial statements and have issued our report thereon dated June 23, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Authority's internal control over financial reporting internal control 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. However, material weaknesses may exist that have not been identified.

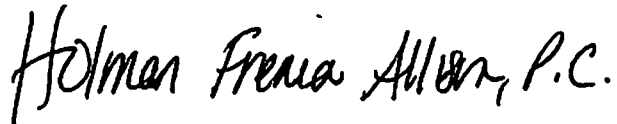
Compliance and Other Matters

As part of obtaining reasonable assurance about whether Authority's financial statements are free of 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 determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Authority's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Audit Standards* and audit requirements as prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully Submitted,



HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 23, 2021
Lakewood, New Jersey

MANAGEMENT'S DISCUSSION AND ANALYSIS

The Management's Discussion and Analysis (MD&A) provides an overview and analysis of the South Toms River Sewerage Authority's (the Authority) financial activities for the fiscal year ended December 31, 2020 and as compared to the prior year. It should be read in conjunction with the accompanying financial statements.

Financial Statements

The financial statements included on this report are the Statements of Net Position, Statements of Revenues, Expenses, and Changes in Net Position, and Statements of Cash Flows as of and for the years ended December 31, 2020 and 2019.

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

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

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

Financial Analysis

The Authority at December 31, 2020 has total assets and deferred outflow of resources of \$3,574,922 compared to \$3,618,796 at December 31, 2019 and \$3,678,879 at December 31, 2018. The decrease from 2018 to 2020 can be primarily attributed to the decrease in capital assets due to depreciation.

The Authority at December 31, 2020 has total liabilities and deferred inflow of resources of \$349,432 compared to \$298,084 at December 31, 2019 and \$265,146 at December 31, 2018. The increase from 2018 to 2020 can be primarily attributed to the timing of accounts payable.

The Authority at December 31, 2020 has a total net position of \$3,225,490 compared to \$3,320,712 at December 31, 2019 and \$3,413,733 at December 31, 2018. The decrease from 2018 to 2020 is primarily related to the operating loss for each year end.

Condensed Financial Information

Key Authority financial information for the years ended December 31, 2020, 2019 and 2018 include the following balances:

Financial Position:

	<u>2020</u>	<u>2019</u>	<u>2018</u>
<i>ASSETS</i>			
Current assets	\$ 760,979	\$ 746,869	\$ 734,347
Property, plant and equipment, net	<u>2,782,509</u>	<u>2,822,117</u>	<u>2,892,387</u>
Total assets	<u>3,543,488</u>	<u>3,568,986</u>	<u>3,626,734</u>
<i>DEFERRED OUTFLOW OF RESOURCES</i>			
Deferred outflow of resources	<u>31,434</u>	<u>49,810</u>	<u>52,145</u>
Total assets and deferred outflow of resources	<u>\$ 3,574,922</u>	<u>\$ 3,618,796</u>	<u>\$ 3,678,879</u>
<i>LIABILITIES</i>			
Current liabilities	\$ 113,895	\$ 51,332	\$ 32,630
Noncurrent liabilities	<u>167,284</u>	<u>180,648</u>	<u>173,613</u>
Total liabilities	<u>281,179</u>	<u>231,980</u>	<u>206,243</u>
<i>DEFERRED INFLOW OF RESOURCES</i>			
Deferred inflow of resources	<u>68,253</u>	<u>66,104</u>	<u>58,903</u>
Total deferred inflow of resources	<u>68,253</u>	<u>66,104</u>	<u>58,903</u>
<i>NET POSITION</i>			
Net position	<u>3,225,490</u>	<u>3,320,712</u>	<u>3,413,733</u>
Total liabilities and deferred inflow of resources	<u>\$ 3,574,922</u>	<u>\$ 3,618,796</u>	<u>\$ 3,678,879</u>
<u>Other Financial Information:</u>			
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Revenues	\$ 589,180	\$ 591,323	\$ 547,983
Expenses	<u>684,020</u>	<u>(684,344)</u>	<u>(662,359)</u>
Changes in net position	<u>\$ (95,222)</u>	<u>\$ (93,021)</u>	<u>\$ (114,376)</u>

The Authority's revenues showed a favorable variance of \$5,324 for 2020 when compared to budget and the Authority's expenses showed a favorable variance of \$17,784 for 2020 when compared to budget for a total overall favorable variance to budget of \$23,108 for the year ended December 31, 2020. The Authority's revenues showed a favorable variance of \$9,437 for 2019 when compared to budget and the Authority's expenses showed a favorable variance of \$17,485 for 2019 when compared to budget for a total overall favorable variance to budget of \$26,922 for the year ended December 31, 2019. Favorable and revenue variances can be attributed to the collection of higher than expected user charges. Favorable and expense variances can be attributed to lower than expected expenses in each year across the Authority as a whole.

Note from the Authority's Management

The Authority's financial report is designed to provide users of the financial statements with a general overview of the Authority's finances and to show the Authority's accountability for the money it receives. The financial statements of the Authority are a matter of public record and may be examined at 19 Double Trouble Rd., South Toms River, New Jersey during the Authority's business hours.

Respectfully Submitted,

George Rutzler

George Rutzler
Chairman

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Statements of Net Position
December 31, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents (Note 2)	\$ 618,219	\$ 605,300
Accounts Receivable (Note 3)	96,719	80,712
Prepaid Expenses	25,640	39,391
Total Current Unrestricted Assets	740,578	725,403
Restricted Assets:		
Cash and Cash Equivalents	20,401	21,466
Total Current Restricted Assets	20,401	21,466
Total Current Assets	760,979	746,869
Noncurrent Assets (Note 4):		
Capital Assets	5,778,656	5,740,298
Less: Accumulated Depreciation	(2,996,147)	(2,918,181)
Net Capital Assets	2,782,509	2,822,117
Total Noncurrent Assets	2,782,509	2,822,117
Total Assets	3,543,488	3,568,986
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred Outflows Related to Pensions (Note 6)	31,434	49,810
Total Deferred Outflow of Resources	31,434	49,810
Total Assets and Deferred Outflow of Resources	\$ 3,574,922	\$ 3,618,796
<u>LIABILITIES</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 66,005	\$ 9,079
Accrued Pension Payable - Related to Pensions (Note 6)	10,766	9,380
Accrued Expenses	13,653	9,672
Unearned Revenues	3,070	1,735
Total Current Liabilities Payable from Unrestricted Assets	93,494	29,866
Current Liabilities Payable from Restricted Assets:		
Reserve for Escrow and Inspection Deposits	20,401	21,466
Total Current Liabilities Payable from Restricted Assets	20,401	21,466
Total Current Liabilities	113,895	51,332
Noncurrent Liabilities:		
Compensated Absences Payable	9,375	6,892
Net Pension Liability (Note 6)	157,909	173,756
Total Noncurrent Liabilities	167,284	180,648
Total Liabilities	281,179	231,980
<u>DEFERRED INFLOW OF RESOURCES</u>		
Deferred Inflows Related to Pensions (Note 6)	68,253	66,104
Total Deferred Inflow of Resources	68,253	66,104
<u>NET POSITION</u>		
Net Investment in Capital Assets	2,782,509	2,822,117
Unrestricted	442,981	498,595
Total Net Position	3,225,490	3,320,712
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 3,574,922	\$ 3,618,796

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2020 and 2019

	<u>2020</u>	<u>2019</u>
Operating Revenues:		
Sewer User Charges	\$ 574,178	\$ 576,103
Delinquent Charges	5,828	5,807
Other Operating Revenue	5,260	-
Connection Fees	-	1,350
Inspection and Review	-	600
Total Operating Revenues	<u>585,266</u>	<u>583,860</u>
Operating Expenses:		
Cost of Providing Services	347,394	338,890
Administrative Expenses	219,122	229,264
Depreciation Expense	88,573	87,759
Total Operating Expenses	<u>655,089</u>	<u>655,913</u>
Operating Loss	<u>(69,823)</u>	<u>(72,053)</u>
Non-Operating Revenues (Expenses):		
Interest Income	3,914	7,463
Loss on Disposal of Fixed Asset	(382)	-
Appropriation to Municipality	(28,931)	(28,431)
Total Non-Operating Revenues (Expenses)	<u>(25,399)</u>	<u>(20,968)</u>
Net Loss	<u>(95,222)</u>	<u>(93,021)</u>
Net Position, January 1,	<u>3,320,712</u>	<u>3,413,733</u>
Net Position, December 31,	<u>\$ 3,225,490</u>	<u>\$ 3,320,712</u>

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Statements of Cash Flows
For the years ended December 31, 2020 and 2019

	2020	2019
Cash Flows from Operating Activities:		
Cash Received from Service Users	\$ 564,267	\$ 608,449
Cash Paid to Suppliers and Employees	(483,309)	(551,231)
Cash Received from Others	5,260	-
Net Cash Provided by Operating Activities	86,218	57,218
Cash Flows from Capital and Related Financing Activities:		
Payment of Township Appropriations	(28,931)	(28,431)
Acquisition and Construction of Capital Assets	(49,347)	(17,489)
Net Cash Used by Capital and Related Financing Activities	(78,278)	(45,920)
Cash Flows from Investing Activities:		
Interest on Investments and Deposits	3,914	7,463
Net Cash Provided by Investing Activities	3,914	7,463
Net Increase in Cash and Cash Equivalents	11,854	18,761
Cash and Cash Equivalents, January 1	626,766	608,005
Cash and Cash Equivalents, December 31	\$ 638,620	\$ 626,766
Reconciliation to Statements of Net Position:		
Current Unrestricted Assets:		
Cash and Cash Equivalents	\$ 618,219	\$ 605,300
Current Restricted Assets:		
Cash and Cash Equivalents	20,401	21,466
Cash and Cash Equivalents, December 31	\$ 638,620	\$ 626,766
Reconciliation of Operating Income to Cash Flows from Operating Activities:		
Operating Loss	\$ (69,823)	\$ (72,053)
Adjustments to Reconcile Operating Income to Net Cash Provided by Operating Activities:		
Items Which Did Not Use Cash:		
Depreciation Expense	88,573	87,759
Pension Liability Expense - GASB 68	4,678	16,025
Working Capital Changes which provided/(used) cash:		
(Increase)/Decrease in Accounts Receivable	(16,009)	2,549
Decrease in Prepaid Expenses	13,751	3,690
Increase/(Decrease) in Accounts Payable	56,928	(2,819)
Increase/(Decrease) in Accrued Expenses	5,367	(519)
Increase in Unearned Revenues	1,335	574
Increase in Compensated Absences	2,483	546
(Decrease)/Increase in Reserve for Escrow & Inspection Deposits	(1,065)	21,466
Total Adjustments	156,041	129,271
Net Cash Provided by Operating Activities	\$ 86,218	\$ 57,218

Noncash Investing, Capital, and Financing Activities:

During the years ended December 31, 2020 and 2019, noncash capital contributions received were \$0 and \$0 respectively.

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements
For the years ended December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the South Toms River Sewerage Authority (the "Authority") have been prepared to conform with accounting principles generally accepted in the United States of America ("GAAP") as applied to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant of these policies.

Reporting Entity

South Toms River Sewerage Authority is a public body, politic and corporate, constituting a political subdivision of the State of New Jersey created under Chapter 138 of the Sewerage Authorities Law of New Jersey of 1946 by a municipal ordinance adopted on December 18, 1974. The Authority was created pursuant to the act for the purpose of constructing and operating a sewerage system consisting of a wastewater collection system.

The Authority provides sewerage collection services to the territorial limits of the Borough of South Toms River.

The Authority consists of five members, who are appointed by resolution of the Borough Committee for three year terms.

Component Unit

The Authority is considered to be a "Component Unit" of the Borough of South Toms River under GAAP however, the Borough of South Toms River does not follow GAAP for accounting and financial reporting purposes rather it follows a regulatory basis of accounting, utilizing accounting principles which differ, in some cases significantly, from GAAP. Of particular note is the exclusion from the Borough's financial statements of potential component units, based on the separate legal status of these units. Accordingly, the financial statements of the Borough do not include the Authority as a component unit.

Basis of Presentation

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

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

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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

Basis of Accounting

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

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. Sewer service charges are recognized as revenue when services are provided. Connection fees are collected in advance and, accordingly, the Authority defers these revenues until the municipality issues a release for certificate of occupancy and determines that sewage collection services are being provided to the properties.

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

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

Budgets and Budgetary Accounting

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

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Budgets and Budgetary Accounting (continued)

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

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

Cash, Cash Equivalents and Investments

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

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

The Authority has established a restricted cash escrow account for advance payments and deposits required as a condition for the Authority to commence engineering reviews and inspections on new development. Funds held for reviews and inspections become earned revenues of the Authority as the services are performed and amounts remaining at project completion, including a portion of interest earnings, are returned to the developer.

Additionally, the Authority has adopted a cash management plan which requires it to deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection Act. In lieu of designating a depository, the cash management plan may provide that the local unit make deposits with the State of New Jersey Cash Management Fund.

Inventory

Treatment of sewerage and sludge is provided by the Ocean County Utilities Authority. As a result, there is no inventory of chemicals or other materials required.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Prepaid Expenses

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

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and improve the facilities of the Authority. Assets purchased are stated at cost. Assets contributed by developer's are valued at estimated fair market value as of the date of contribution. Costs incurred for construction projects are recorded as construction in progress. In the year that the project is completed, these costs are transferred to capital assets. The Authority has set the capitalization threshold at \$5,000.

Depreciation is determined on a straight-line basis for all capital assets. Depreciation was provided over the following estimated useful lives:

	<u>Years</u>
Collection System	75
Leasehold Improvements	15
Equipment	5-15

Deferred Outflows and Deferred Inflows of Resources

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

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

Compensated Absences

Employees of the South Toms River Sewerage Authority may carryover vacation time to the following year but it must be used by December 31st of that following year or it is lost. Employees may carry forward up to fifteen unused sick days from year to year and upon retirement will be paid out for one-half of their sick days accumulated in accordance with the Authority's Personnel Policy.

Unearned Revenue

Unearned revenue arises when assets are recognized before revenue recognition criteria have been satisfied and are recorded as a liability until the revenue is both measurable and the Authority is eligible to realize the revenue. The Authority receives payments for connection fees when new users connect to

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Unearned Revenue (continued)

the sewer system. Since the Authority does not supply the user with supplies or services to make the physical connection, this would be considered a nonexchange transaction and recorded as deferred revenue under deferred inflows of resources. The Authority recognizes the revenue in the period that the user exercises their right to connect to the system.

Pensions Section

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees' Retirement System ("PERS") and additions to/deductions from the PERS's fiduciary net position have been determined on the same basis as they are reported by the plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Net Position

In accordance with the provisions of GASB Statement No. 34 ("Statement 34") of the Governmental Accounting Standards Board "Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments", the Authority has classified its net position into three components – net investment in capital assets; restricted; and unrestricted. These classifications are defined as follows:

Net Investment in Capital Assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction or improvement of those assets. Deferred outflows of resources and deferred inflows of resources that are attributable to the acquisition, construction, or improvement of those assets or related debt also should be included in this component of net position.

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

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

Income Taxes

As a public body, under existing statutes and Section 115, the Authority appropriately is exempt from income taxes.

SOUTH TOMS RIVER SEWERAGE AUTHORITY
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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Operating and Non-Operating Revenues and Expenses

The Authority defines its operating revenues as income derived from charges to residents and others for services provided as well as government subsidies and grants used for operating purposes. Non-operating revenues primarily consist of interest income and on investments of securities. Operating expenses are costs incurred in the operation of its program activities to provide services to residents and others. Non-operating expenses primarily include expenses attributable to the Authority's interest on debt, contribution to Borough and sales of capital assets.

Use of Estimates

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

Impact of Recently Issued Accounting Pronouncements

Recently Issued Pronouncements Adopted in the Current Year

Statement No. 95, *Postponement of The Effective Dates of Certain Authoritative Guidance*, provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This Statement was issued to postpone the effective dates of GASB statements and certain provisions in Statements and Implementation Guides that first became effective or are scheduled to become effective for periods beginning after June 15, 2018, and later. The postponement does not affect the Authority's operations.

Recently Issued Pronouncements Not Yet Adopted

Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. As a result of Statement No. 95, *Postponement of The Effective Dates of Certain Authoritative Guidance*, Statement No. 87 is now effective for reporting periods beginning after June 15, 2021. Management has not yet determined the impact of this Statement on the financial statements.

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NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Impact of Recently Issued Accounting Pronouncements (continued)

Statement No. 89, *Accounting for Interest Cost Incurred Before the End of a Construction Period*. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. As a result of Statement No. 95, *Postponement of The Effective Dates of Certain Authoritative Guidance*, Statement No. 89 is now effective for reporting periods beginning after December 15, 2020. Management has not yet determined the impact of this Statement on the financial statements.

Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*. Requirements of this pronouncement related to section 1, paragraph 4 are effective immediately. All other requirements will be effective for reporting periods beginning June 15, 2021. Management has not yet determined the impact of this Statement on the financial statements.

Subsequent Events

South Toms River Sewerage Authority has evaluated subsequent events occurring after December 31, 2020 through June 23, 2021, which is the date the financial statements were available to be issued.

NOTE 2: CASH AND CASH EQUIVALENTS

This Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2020 and 2019, reported at fair value, are as follows:

	2020	2019
Deposits:		
Demand deposits	<u>\$638,620</u>	<u>\$626,766</u>
Total deposits	<u>\$638,620</u>	<u>\$626,766</u>
 Reconciliation to Statements of Net Position:		
Current assets:		
Unrestricted cash and cash equivalents	\$618,219	\$605,300
Current assets:		
Restricted cash and cash equivalents	<u>20,401</u>	<u>21,466</u>
Total deposits	<u>\$638,620</u>	<u>\$626,766</u>

Custodial Credit Risk Related to Deposits

Custodial credit risk is the risk that, in the event of a bank failure, the Authority's deposits might not be recovered. Although the Authority does not have a formal policy regarding custodial credit risk, *N.J.S.A. 17:9-41* et seq. requires that governmental units shall deposit public funds in public depositories protected from loss under the provisions of the Governmental Unit Deposit Protection

SOUTH TOMS RIVER SEWERAGE AUTHORITY
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NOTE 2: CASH AND CASH EQUIVALENTS (continued)

Act (GUDPA). Under the Act, the first \$250,000 of governmental deposits in each insured depository is protected by the Federal Deposit Insurance Corporation (FDIC). Public funds owned by the Authority in excess of FDIC insured amounts are protected by GUDPA. However, GUDPA does not protect intermingled trust funds such as salary withholdings or funds that may pass to the Authority relative to the happening of a future condition. If the Authority had any such funds, they would be shown as Uninsured and Uncollateralized in the schedule below. As of December 31, 2020 and 2019, the Authority's bank balances were insured or exposed to credit risk as follows:

	2020	2019
Insured by FDIC	\$ 250,000	\$ 250,000
Not collateralized in the Authority's name (held by New Jersey Cash Management Fund)	237,809	236,546
Collateralized in the Authority's name under GUDPA	160,573	137,264
	\$ 648,382	\$ 623,810

New Jersey Cash Management Fund

During the years ended December 31, 2020 and 2019, the Authority participated in the New Jersey Cash Management Fund. The Fund is governed by regulations of the State Investment Council, who prescribe standards designed to insure the quality of investments in order to minimize risk to the Funds participants. Deposits with the New Jersey Cash Management Fund are not subject to custodial credit risk as defined above. At December 31, 2020 and 2019, the Authority's deposits with the New Jersey Cash Management Fund were \$237,809 and \$236,546, respectively.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable balances at December 31, 2020 and 2019 were \$96,719 and \$80,712, respectively. Balances consisted of unrestricted receivables entirely from customer accounts. The Authority believes that all receivables are collectible and therefore have not established an allowance for doubtful accounts.

SOUTH TOMS RIVER SEWERAGE AUTHORITY
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NOTE 4: CAPITAL ASSETS

The activity in capital assets for the year ended December 31, 2020 is as followed:

	Balance December 31, <u>2019</u>	<u>Additions</u>	Retirements and Transfers	Balance December 31, <u>2020</u>
Capital Assets not being depreciated:				
Construction in Progress	\$ 9,208	\$ 44,117	\$ -	\$ 53,325
Total Capital Assets not being depreciated	<u>9,208</u>	<u>44,117</u>	<u>-</u>	<u>53,325</u>
Capital Assets being depreciated:				
Collection System	5,464,617	-	-	5,464,617
Equipment	224,801	5,230	(10,989)	219,042
Leasehold Improvments	41,672	-	-	41,672
Total Capital Assets being depreciated	<u>5,731,090</u>	<u>5,230</u>	<u>(10,989)</u>	<u>5,725,331</u>
Less: Accumulated Depreciation:				
Collection System	(2,736,588)	(72,862)	-	(2,809,450)
Equipment	(174,282)	(12,933)	10,607	(176,608)
Leasehold Improvments	(7,311)	(2,778)	-	(10,089)
Total Accumulated Depreciation	<u>(2,918,181)</u>	<u>(88,573)</u>	<u>10,607</u>	<u>(2,996,147)</u>
Total Capital Assets being depreciated, net	<u>2,812,909</u>	<u>(83,343)</u>	<u>(382)</u>	<u>2,729,184</u>
Total Governmental Activities Capital Assets, net	<u>\$ 2,822,117</u>	<u>\$ (39,226)</u>	<u>\$ (382)</u>	<u>\$ 2,782,509</u>

The activity in capital assets for the year ended December 31, 2019 is as followed:

	Balance December 31, <u>2018</u>	<u>Additions</u>	Retirements and Transfers	Balance December 31, <u>2019</u>
Capital Assets not being depreciated:				
Construction in Progress	\$ -	\$ 9,208	\$ -	\$ 9,208
Total Capital Assets not being depreciated	<u>-</u>	<u>9,208</u>	<u>-</u>	<u>9,208</u>
Capital Assets being depreciated:				
Collection System	5,464,617	-	-	5,464,617
Equipment	216,520	8,281	-	224,801
Leasehold Improvments	41,672	-	-	41,672
Total Capital Assets being depreciated	<u>5,722,809</u>	<u>8,281</u>	<u>-</u>	<u>5,731,090</u>
Less: Accumulated Depreciation:				
Collection System	(2,663,726)	(72,862)	-	(2,736,588)
Equipment	(162,163)	(12,119)	-	(174,282)
Leasehold Improvments	(4,533)	(2,778)	-	(7,311)
Total Accumulated Depreciation	<u>(2,830,422)</u>	<u>(87,759)</u>	<u>-</u>	<u>(2,918,181)</u>
Total Capital Assets being depreciated, net	<u>2,892,387</u>	<u>(79,478)</u>	<u>-</u>	<u>2,812,909</u>
Total Governmental Activities Capital Assets, net	<u>\$ 2,892,387</u>	<u>\$ (70,270)</u>	<u>\$ -</u>	<u>\$ 2,822,117</u>

SOUTH TOMS RIVER SEWERAGE AUTHORITY
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NOTE 5: LIABILITIES

During the years ended December 31, 2020 and 2019, the following changes occurred in long-term obligations:

	Balance December 31, 2019	Additions	Reductions	Balance December 31, 2020	Balance Due Within One Year
Net Pension Liability	\$ 173,756	\$ -	\$ 15,847	\$ 157,909	\$ -
Compensated Absences	6,892	2,483	-	9,375	-
	<u>\$ 180,648</u>	<u>\$ 2,483</u>	<u>\$ 15,847</u>	<u>\$ 167,284</u>	<u>\$ -</u>

	Balance December 31, 2018	Additions	Reductions	Balance December 31, 2019	Balance Due Within One Year
Net Pension Liability	\$ 167,267	\$ 6,489	\$ -	\$ 173,756	\$ -
Compensated Absences	6,346	546	-	6,892	-
	<u>\$ 173,613</u>	<u>\$ 7,035</u>	<u>\$ -</u>	<u>\$ 180,648</u>	<u>\$ -</u>

Net Pension Liability

For details on the net pension liability, see the Pension Obligations section below. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

Compensated Absences

For the years ended December 31, 2020 and 2019, the Authority accrued compensated absences in the amount of \$9,375 and \$6,892, respectively.

Unearned Sewerage Charges

The Authority's customers are billed in December for the previous quarter beginning October 1st. Appropriately, customer payments received in December for the following quarter are included in the Authority's liabilities as unearned income and not recognized as revenue until the following year. As of December 31, 2020 and 2019, the balances totaled \$3,070 and \$1,735, respectively.

NOTE 6: PENSION OBLIGATIONS

Public Employees' Retirement System (PERS)

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

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NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

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

The following represents the membership tiers for PERS:

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

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

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

Contributions - The contribution policy for PERS is set by N.J.S.A. 43:15A and requires contributions by active members and contributing employers. State legislation has modified the amount that is contributed by the State. The State's pension contribution is based on an actuarially determined amount, which includes the employer portion of the normal cost and an amortization of the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2019, the State's pension contribution was less than the actuarial determined amount. The local employers' contribution amounts are based on an actuarially determined rate, which includes the normal cost and unfunded accrued liability. Chapter 19, P.L. 2009 provided an option for local employers of PERS to contribute 50% of the normal and accrued

SOUTH TOMS RIVER SEWERAGE AUTHORITY
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NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

liability contribution amounts certified for payments due in State fiscal year 2009. Such employers will be credited with the full payment and any such amounts will not be included in their unfunded liability. The actuaries will determine the unfunded liability of those retirement systems, by employer, for the reduced normal and accrued liability contributions provided under this law. This unfunded liability will be paid by the employer in level annual payments over a period of 15 years beginning with the payments due in the fiscal year ended June 30, 2012 and will be adjusted by the rate of return on the actuarial value of assets. For the year ended December 31, 2020, the Authority's contractually required contribution to PERS plan was \$10,593.

Components of Net Pension Liability - At December 31, 2020, the Authority's proportionate share of the PERS net pension liability was \$157,909. The net pension liability was measured as of June 30, 2020. The total pension liability used to calculate the net pension liability was determined using update procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2019, which was rolled forward to June 30, 2020. The Authority's proportion of the net pension liability was based on the Authority's actual contributions to the plan relative to the total of all participating employers' contributions for the year ended June 30, 2020. The Authority's proportion measured as of June 30, 2020, was 0.0009683262% which was an increase of 0.0000040055% from its proportion measured as of June 30, 2019.

Balances at December 31, 2020 and December 31, 2019

	<u>12/31/2020</u>	<u>12/31/2019</u>
Actuarial valuation date (including roll forward)	June 30, 2020	June 30, 2019
Deferred Outflows of Resources	\$ 31,434	\$ 49,810
Deferred Inflows of Resources	68,253	66,104
Net Pension Liability	157,909	173,756
Authority's portion of the Plan's total Net Pension Liability	0.00097%	0.00096%

Pension Expense and Deferred Outflows/Inflows of Resources – At December 31, 2020, the Authority's proportionate share of the PERS expense, calculated by the plan as of the June 30, 2020 measurement date is \$15,271. At December 31, 2020, the Authority reported deferred outflows of resources and deferred inflows of resources related to PERS from the following sources:

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Notes to Financial Statements (continued)
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NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between Expected and Actual Experience	\$ 2,875	\$ 558
Changes of Assumptions	5,123	66,118
Net Difference between Projected and Actual Earnings on Pension Plan Investments	5,397	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	18,039	1,577
	\$ 31,434	\$ 68,253

The Authority will amortize the above sources of deferred outflows and inflows related to PERS over the following number of years:

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Notes to Financial Statements (continued)
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NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

	<u>Deferred Outflow of Resources</u>	<u>Deferred Inflow of Resources</u>
Differences between Expected and Actual Experience		
Year of Pension Plan Deferral:		
June 30, 2014	-	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	5.48	-
June 30, 2018	5.63	-
June 30, 2019	5.21	-
June 30, 2020	5.16	-
Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	-
June 30, 2015	5.72	-
June 30, 2016	5.57	-
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2014	-	5.00
June 30, 2015	-	5.00
June 30, 2016	5.00	-
June 30, 2017	5.00	-
June 30, 2018	5.00	-
June 30, 2019	5.00	-
June 30, 2020	5.00	-
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
June 30, 2014	6.44	6.44
June 30, 2015	5.72	5.72
June 30, 2016	5.57	5.57
June 30, 2017	5.48	5.48
June 30, 2018	5.63	5.63
June 30, 2019	5.21	5.21
June 30, 2020	5.16	5.16

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Notes to Financial Statements (continued)
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NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

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

<u>Year Ending</u> <u>Dec 31,</u>	<u>Amount</u>
2021	\$ (8,390)
2022	(16,490)
2023	(6,577)
2024	(4,485)
2025	(877)
	<hr style="width: 100%;"/>
	<u>\$ (36,819)</u>

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

Inflation	
Price	2.75%
Wage	3.25%
Salary Increases:	
Through 2026	2.00 - 6.00% Based on Years of Service
Thereafter	3.00 - 7.00% Based on Years of Service
Investment Rate of Return	7.00%
Mortality Rate Table	
PERS	Pub-2010 General Below-Median Income Employee mortality table with fully generational mortality improvement projections from the central year using Scale MP-2020
Period of Actuarial Experience	
Study upon which Actuarial Assumptions were Based	July 1, 2014 - June 30, 2018

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

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NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

with a 91.4% adjustment for males and 99.7% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Disability retirement rates used to value disabled retirees were based on the Pub-2010 Non-Safety Disabled Retiree mortality table with a 127.7% adjustment for males and 117.2% adjustment for females, and with future improvement from the base year of 2010 on a generational basis. Mortality improvement is based on Scale MP-2020.

The actuarial assumptions used in the July 1, 2019 valuation were based on the results of an actuarial experience study for the period July 1, 2014 to June 30, 2018. It is likely that future experience 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 Expected Rate of Return - In accordance with State statute, the long-term expected rate of return on plan investments (7.00% at June 30, 2020) is determined by the State Treasurer, after consultation with the Directors of the Division of Investments and Division of Pensions and Benefits, the board of trustees and the actuaries. The long-term expected rate of return was determined using a building block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2020 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	27.00%	7.71%
Non-U.S. Developed Markets Equity	13.50%	8.57%
Emerging Markets Equity	5.50%	10.23%
Private Credit	13.00%	11.42%
Real Assets	3.00%	9.73%
Real Estate	8.00%	9.56%
High Yield	2.00%	5.95%
Private Credit	8.00%	7.59%
Investment Grade Credit	8.00%	2.67%
Cash Equivalents	4.00%	0.50%
U.S. Treasuries	5.00%	1.94%
Risk Mitigation Strategies	3.00%	3.40%
	<u>100.00%</u>	

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2020. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 78% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. Based on those assumptions, the plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all projected benefit payments to determine the total pension liability.

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

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's Proportionate Share of the Net Pension Liability	\$ 200,344	\$ 157,909	\$ 124,197

NOTE 7: RATE STRUCTURE

The Authority adopted the following rate structures for residential and commercial users effective January 1, 2008.

Residential User Charges

- A residential private dwelling, single family house having four bedrooms or less shall be charged at the rate of one unit.
- Multiple residential dwellings; each apartment shall be charged at the rate of one unit.
- Each unit will be billed \$105 per quarter.

Commercial User Charges

- Commercial businesses will be billed on a quarterly basis at the rate of \$115 per quarter for the first four fixtures. Each additional fixture will be billed \$27.50 each per quarter. Fixtures are defined as sinks, toilets, bathtubs, showers, dishwashers, washing machines and floor drains.

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 8: CONNECTION FEE AGREEMENT

On November 30, 2018, the Authority entered into a redevelopment agreement with M&T at STR Urban Renewal, LLC ("M&T"). This Project requires the connection to the Authority's sewer system and for the feasibility of developing the project, the Authority granted M&T a 40% reduction on the original cost of \$1,258,560 to an amended cost of \$755,136. This reduction applies solely to the residential component of the Project and will be paid in segments by M&T to the Authority once the project begins. As of the date of this report, the project has not yet begun.

NOTE 9: COMMITMENTS

On March 13, 2017, the Authority entered into an agreement with the Borough of South Toms River for the leasing of premises at 19 Double Trouble Road. The lease is for a period of ninety-nine (99) years or until the building is no longer in use by the Borough of South Toms River, whichever comes first. This period of time shall be renewable by way of a resolution passed by both the Borough and the Authority. During said period, the Authority shall pay the Borough rent in the amount of \$500 per month. Total rent expense for the years ended December 31, 2020 and 2019 totaled \$6,000 and \$6,000, respectively.

On December 12, 2018, the Authority entered into an agreement with the Borough of South Toms River for the leasing of the property located between 1 Drew Lane and 1 Drake Lane. The lease is for a period of ninety-nine (99) years and authorizes the Authority to construct a pole barn or another similar structure for the sole purpose of storing Authority property and any and all equipment. This period of time shall be renewable by way of a resolution passed by both the Borough and the Authority. During said period, the Authority shall pay the Borough rent in the amount of \$1 per year payable to the Borough on the 10th of every January.

On February 14, 2018, the Authority entered into an agreement with the South Toms River Recreation Commission for the leasing of garage storage space for Authority owned equipment. The lease was for a period of one year expiring January 31, 2019 in the amount of \$310 per month and was renewed until January 31, 2020. Effective February 1, 2020, the Authority entered into a new agreement for a term of one year ending January 31, 2021, with nine one-year options to renew in the amount of \$150 per month.

NOTE 10: RISKS, CONCENTRATIONS AND UNCERTAINTIES

In March 2020, the World Health Organization declared the outbreak of a novel coronavirus (COVID-19) as a pandemic that continues to spread throughout New Jersey and the United States as a whole. In light of the uncertainty as to the severity and duration of the pandemic and actions that may be taken by governmental authorities, the impact on the Authority's revenue, cash flows, and financial position is uncertain at this time.

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Notes to Financial Statements (continued)
For the years ended December 31, 2020 and 2019

NOTE 11: 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 - During the year ended December 31, 2020, the Authority continued to transfer all insurable risks through the purchase of commercial insurance policies. Settled claims resulting from these risks have not exceeded commercial insurance coverage during each of the past three fiscal years. During the year ended December 31, 2020, there were no significant reductions in coverages from those provided in the previous year.

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Schedule of Authority Contribution:
Public Employees' Retirement System (PERS)
Last Eight Fiscal Years *

	Year ended December 31,							
	2020	2019	2018	2017	2016	2015	2014	2013
Authority's contractually required contribution	\$ 10,593	\$ 9,380	\$ 8,450	\$ 7,977	\$ 7,704	\$ 6,909	\$ 6,608	\$ 3,316
Contributions in relation to the contractually required contributor	<u>(10,593)</u>	<u>(9,380)</u>	<u>(8,450)</u>	<u>(7,977)</u>	<u>(7,704)</u>	<u>(6,909)</u>	<u>(6,608)</u>	<u>(3,316)</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 77,336	\$ 70,072	\$ 68,524	\$ 59,656	\$ 59,656	\$ 69,116	\$ 60,777	\$ 61,454
Contributions as a percentage of covered payroll	13.70%	13.39%	12.33%	13.37%	12.91%	10.00%	10.87%	5.40%

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

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Notes to Required Supplementary Information
For the year ended December 31, 2020

Public Employees' Retirement System (PERS)

Changes in Benefit Terms

None.

Changes in Assumptions

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

SOUTH TOMS RIVER SEWERAGE AUTHORITY
Schedule of Revenues and Expenses - Budget to Actual
For the years ended December 31, 2020 and 2019

	For the year ended December 31, 2020				For the year ended December 31, 2019			
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES:								
User Charges and Fees	\$ 570,760	\$ 570,760	\$ 574,178	\$ 3,418	\$ 570,990	\$ 570,990	\$ 576,103	\$ 5,113
Connection Fees	3,896	3,896	-	(3,896)	3,896	3,896	1,350	(2,546)
Delinquent Charges	4,100	4,100	5,828	1,728	3,900	3,900	5,807	1,907
Application Fees and Permits	-	-	-	-	-	-	600	600
Interest Income	5,000	5,000	3,914	(1,086)	3,000	3,000	7,463	4,463
Other Revenue	100	100	5,260	5,160	100	100	-	(100)
TOTAL REVENUES	583,856	583,856	589,180	5,324	581,886	581,886	591,323	9,437
EXPENSES:								
Operating Appropriations:								
Cost of Providing Services:								
Salaries, Wages and Payroll Taxes	27,250	27,250	28,055	(805)	27,250	26,790	26,789	1
OCUA Fees	298,000	312,400	312,379	21	296,000	297,330	297,440	(110)
Engineering	23,200	-	870	(870)	23,200	13,980	4,765	9,215
Sewer Maintenance Supplies	12,000	12,000	2,817	9,183	12,000	10,510	2,226	8,284
Garage Rental	3,720	3,720	2,120	1,600	3,720	3,720	3,720	-
Renewal and Replacement	1,000	1,000	-	1,000	1,000	-	-	-
Total Cost of Providing Services	365,170	356,370	346,241	10,129	363,170	352,330	334,940	17,390
Administrative Expenses:								
Salaries, Wages and Payroll Taxes	70,000	79,400	85,742	(6,342)	70,000	81,905	81,886	19
Employee Fringe Benefits	20,005	21,405	14,149	7,256	23,400	12,665	12,656	9
Health Insurance	21,102	21,102	20,971	131	23,144	21,954	21,949	5
Legal Expense	22,000	15,000	14,231	769	12,000	15,180	15,172	8
Audit and Consulting	29,000	29,000	25,802	3,198	27,000	29,680	29,671	9
Office Expenses, Cleaning and Supplies	17,300	18,200	17,134	1,066	17,200	21,840	21,831	9
Insurance	21,000	21,000	20,519	481	21,000	20,240	20,136	104
Postage	3,000	3,500	3,419	81	3,000	3,960	3,953	7
Telephone	2,000	2,000	1,484	516	2,000	1,720	1,713	7
Utilities	3,120	3,320	3,274	46	2,200	2,940	2,931	9
Fuel	1,500	1,500	1,164	336	1,500	1,330	1,321	9
Licenses and Permits	3,000	3,500	3,850	(350)	3,000	3,000	3,000	-
Miscellaneous	1,425	4,325	3,858	467	1,000	870	970	(100)
Total Administrative Expenses	214,452	223,252	215,597	7,655	206,444	217,284	217,189	95
TOTAL OPERATING APPROPRIATIONS	579,622	579,622	561,838	17,784	569,614	569,614	552,129	17,485
OTHER COSTS FUNDED BY REVENUES:								
Appropriation to Municipality	28,931	28,931	28,931	-	28,431	28,431	28,431	-
TOTAL COSTS FUNDED BY REVENUES	28,931	28,931	28,931	-	28,431	28,431	28,431	-
TOTAL EXPENSES	608,553	608,553	590,769	17,784	598,045	598,045	580,560	17,485
BUDGETARY REVENUES OVER EXPENSES	\$ (24,697)	\$ (24,697)	\$ (1,589)	\$ 23,108	\$ (16,159)	\$ (16,159)	\$ 10,763	\$ 26,922

SOUTH TOMS RIVER SEWERAGE AUTHORITY
Schedule of Revenues and Expenses - Budget to Actual (continued)
For the years ended December 31, 2020 and 2019

	<u>2020</u> <u>Actual</u>	<u>2019</u> <u>Actual</u>
Reconciliation of Budgetary Basis to Net Loss:		
Budgetary Revenues Over Expenses	\$ (1,589)	\$ 10,763
Adjustments to Budgetary Basis:		
Depreciation Expense	(88,573)	(87,759)
Loss on Disposal of Fixed Asset	(382)	-
Pension Liability Expense - GASB 68	(4,678)	(16,025)
Total Adjustments	(93,633)	(103,784)
Net Loss	\$ (95,222)	\$ (93,021)

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Roster of Officials
December 31, 2020

	<u>Position</u>	<u>Term</u>
George Rutzler.....	Chairman	2022
Marianne Grasso	Vice Chairman	2023
William Britton	Secretary	2025
Kayla Rolzhausen.....	Treasurer	2021
Joseph Jubert.....	Vice Treasurer	2024



Certified Public Accountants + Advisors

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194 East Bergen Place, Red Bank, NJ 07701 • Tel: 732.747.0010
1415 Hooper Avenue, Suite 305, Unit A, Toms River, NJ 08753 • By Appointment Only

www.hfacpas.com

The Chairman and Commissioners
of South Toms River Sewerage Authority
South Toms River, New Jersey

We have audited the financial accounts and transactions of the South Toms River Sewerage Authority, a component unit of the Borough of South Toms River, County of Ocean, State of New Jersey for the year ended December 31, 2020. In accordance with requirements prescribed by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, the following are the *General Comments* and *Recommendations* for the year then ended.

GENERAL COMMENTS AND RECOMMENDATIONS

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

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 \$17,500 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.

The minutes indicate that bids were requested by public advertising and awarded by resolution for the construction of a garage.

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

Inasmuch 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.

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

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

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

Examination of Bills

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

Payroll Fund

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

Capital Assets

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

Budget Adoption

The State of New Jersey requires that the Authority's operating and capital budgets be approved and adopted for each fiscal year. The Authority approved its operating budget on November 13, 2019 and adopted its operating budget on December 11, 2019.

Follow-Up of Prior Years' Findings

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

SOUTH TOMS RIVER SEWERAGE AUTHORITY
 (A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
 Schedule of Authority's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System (PERS)
 Last Eight Fiscal Years *

	Measurement Date Ended June 30,							
	2020	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.00097%	0.00096%	0.00085%	0.00086%	0.00087%	0.00080%	0.00080%	0.00044%
Authority's proportionate share of the net pension liability	\$ 157,909	\$ 173,756	\$ 167,267	\$ 200,446	\$ 256,837	\$ 180,397	\$ 150,075	\$ 84,110
Authority's covered payroll	\$ 70,072	\$ 68,524	\$ 59,656	\$ 59,656	\$ 69,116	\$ 60,777	\$ 61,454	\$ 58,741
Authority's proportionate share of the net pension liability as a percentage of its covered payroll	225.35%	253.57%	280.39%	336.00%	371.60%	296.82%	244.21%	143.19%
Plan fiduciary net position as a percentage of the total pension liability	58.32%	56.27%	53.60%	48.10%	47.93%	52.08%	52.08%	48.72%

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

SOUTH TOMS RIVER SEWERAGE AUTHORITY
 (A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Schedule of Authority Contribution:
Public Employees' Retirement System (PERS)
Last Eight Fiscal Years *

	Year ended December 31,							
	2020	2019	2018	2017	2016	2015	2014	2013
Authority's contractually required contribution	\$ 10,593	\$ 9,380	\$ 8,450	\$ 7,977	\$ 7,704	\$ 6,909	\$ 6,608	\$ 3,316
Contributions in relation to the contractually required contributor	(10,593)	(9,380)	(8,450)	(7,977)	(7,704)	(6,909)	(6,608)	(3,316)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Authority's covered payroll	\$ 77,336	\$ 70,072	\$ 68,524	\$ 59,656	\$ 59,656	\$ 69,116	\$ 60,777	\$ 61,454
Contributions as a percentage of covered payroll	13.70%	13.39%	12.33%	13.37%	12.91%	10.00%	10.87%	5.40%

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

Acknowledgment

We received the complete cooperation of all the Authority Officials and employees and we greatly appreciate the courtesies extended to the members of the audit team.

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

Respectfully Submitted,

Holman Frenia Allison, P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 23, 2021
Lakewood, New Jersey

APPENDIX C

RESOLUTION

WHEREAS, N.J.S.A. 40A:5A-5 requires the governing body of each local authority to cause an annual audit of its accounts to be made, and

WHEREAS, the annual audit report for the fiscal year ended December 31, 2020 has been completed and filed with the State of NJ pursuant to N.J.S.A. 40A:5A-15, and

WHEREAS, N.J.S.A. 40A:5A- 17, requires the governing body of each authority to, within 45 days of receipt of the annual audit, certify by resolution to the Local Finance Board that each member there of has personally reviewed the annual audit report, and specifically the sections of the audit report entitled "General Comments" and "Recommendations," and has evidenced same by group affidavit in the form prescribed by the Local Finance Board, and

WHEREAS, the members of the governing body have received the annual audit and have personally reviewed the annual audit, and have specifically reviewed the sections of the annual audit report entitled "General Comments" and "Recommendations," in accordance with N.J.S.A. 40A:5A-17,

NOW, THEREFORE BE IT RESOLVED, that the governing body of the STR Sewerage Auth hereby certifies to the Local Finance Board of the State of New Jersey that each governing body member has personally reviewed the annual audit report for the fiscal year ended December 31, 2020 , and specifically has reviewed the sections of the audit report entitled "General Comments" and "Recommendations," and has evidenced same by group affidavit in the form prescribed by the Local Finance Board.

BE IT FURTHER RESOLVED that the secretary of the authority is hereby directed to promptly submit to the Local Finance Board the aforesaid group affidavit, accompanied by a certified true copy of this resolution.

IT IS HEREBY CERTIFIED THAT THIS IS A TRUE COPY OF THE RESOLUTION PASSED AT THE MEETING HELD ON August 11, 2021



Secretary

8/11/2021

Date

LOCAL AUTHORITIES GROUP AFFIDAVIT FORM
PRESCRIBED BY THE NEW JERSEY LOCAL FINANCE BOARD

AUDIT REVIEW CERTIFICATE

We, the members of the governing body of the South Toms River Sewerage Authority, being of full age and being duly sworn according to law, upon our oath depose and say:

1. We are duly appointed/~~elect~~ (cross out one) members of the STRSA
2. We certify, pursuant to N.J.S.A. 40A:5A-17, that we have each reviewed the annual audit report for the fiscal year ended December 31, 2020, and specifically the sections of the audit report entitled "General Comments" and "Recommendations."

(PRINT NAME)

(SIGNATURE)

George Rutzler
Marianne Grasso
Joseph Jubert
Kayla Rolzhausen
John Luberto

[Signature]
Marianne Grasso
[Signature]
Kayla Rolzhausen
John Luberto

Sworn to and subscribed before me this 11 day of August, 2021

[Signature]
Notary Public of New Jersey
Attorney-At-Law
#061562014

Synopsis of audit report of the South Toms River Sewerage Authority for the fiscal years ended December 31, 2020 and 2019, as required by N.J.S.A. 40A:5A-16:

Comparative Statements of Net Position
December 31, 2020 and 2019

<u>ASSETS</u>	<u>2020</u>	<u>2019</u>
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents	\$ 638,620	\$ 626,766
Accounts Receivable	96,719	80,712
Prepaid Expenses	25,640	39,391
Total Current Unrestricted Assets	760,979	746,869
Total Current Assets	760,979	746,869
Noncurrent Assets:		
Capital Assets	5,778,656	5,740,298
Less: Accumulated Depreciation	(2,996,147)	(2,918,181)
Net Capital Assets	2,782,509	2,822,117
Total Noncurrent Assets	2,782,509	2,822,117
Total Assets	3,543,488	3,568,986
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred Outflows Related to Pensions	31,434	49,810
Total Deferred Outflow of Resources	31,434	49,810
Total Assets and Deferred Outflow of Resources	\$ 3,574,922	\$ 3,618,796
<u>LIABILITIES</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 66,005	\$ 9,079
Accounts Payable - Related to Pensions	10,766	9,380
Accrued Expenses	13,653	9,672
Unearned Revenues	3,070	1,735
Total Current Liabilities Payable from Unrestricted Assets	93,494	29,866
Current Liabilities Payable from Restricted Assets:		
Reserve for Escrow & Inspection Deposits	20,401	21,466
Total Current Liabilities Payable from Restricted Assets	20,401	21,466
Total Current Liabilities	113,895	51,332
Noncurrent Liabilities:		
Compensated Absences Payable	9,375	6,892
Net Pension Liability	157,909	173,756
Total Noncurrent Liabilities	167,284	180,648
Total Liabilities	281,179	231,980
<u>DEFERRED INFLOW OF RESOURCES</u>		
Deferred Inflows Related to Pensions	68,253	66,104
Total Deferred Inflow of Resources	68,253	66,104
<u>NET POSITION</u>		
Net Investment in Capital Assets	2,782,509	2,822,117
Unrestricted	442,981	498,595
Total Net Position	3,225,490	3,320,712
Total Liabilities, Deferred Inflow of Resources, and Net Position	\$ 3,574,922	\$ 3,618,796

**Statements of Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2020 and 2019**

	2020	2019
Operating Revenues:		
Sewer User Charges	\$ 574,178	\$ 576,103
Delinquent Charges	5,828	5,807
Other Operating Revenue	5,260	-
Connection Fees	-	1,350
Inspection & Review	-	600
Total Operating Revenues	585,266	583,860
Operating Expenses:		
Cost of Providing Services	347,394	338,890
Administrative Expenses	219,122	229,264
Depreciation Expense	88,573	87,759
Total Operating Expenses	655,089	655,913
Operating Loss	(69,823)	(72,053)
Non-Operating Revenues (Expenses):		
(Loss) on Sale of Fixed Assets	(382)	-
Interest Income	3,914	7,463
Appropriation to Municipality	(28,931)	(28,431)
Total Non-Operating Revenues (Expenses)	(25,399)	(20,968)
Net Loss	(95,222)	(93,021)
Net Position, January 1,	3,320,712	3,413,733
Net Position, December 31,	\$ 3,225,490	\$ 3,320,712

For the year ended December 31, 2020, there were no recommendations.

The above synopsis was prepared from the report of the audit of the South Toms River Sewerage Authority as of December 31, 2020.

This report of audit, submitted by Holman Frenia Allison, P.C., Certified Public Accountants, is on file at the office of the South Toms River Sewerage Authority, 19 Double Trouble Rd. South Toms River, New Jersey 08757, and may be inspected by any interested person.