

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, 2022 and 2021

(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, 2022 and 2021

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INDEPENDENT AUDITOR'S REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of the business-type activities of the South Toms River Sewerage Authority (hereafter referred to as the "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, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Authority, as of December 31, 2022 and 2021, and the respective changes in financial position and cashflows for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Authority, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our 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 generally accepted auditing standards, *Government Auditing Standards* and audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards* and audit standards prescribed by the Local Finance Board and by the Division of Local Government Services, Department of Community Affairs, State of New Jersey, 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 judgment, 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 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.

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 schedules of revenue and expense – budget to actual is presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 schedules of revenue and expense – budget to actual is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated June 14, 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 to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Authority's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 14, 2023
Lakewood, New Jersey



**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
County of Ocean
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, 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 June 14, 2023.

Report on 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) as a basis for designing 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.

Report on 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.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 14, 2023
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, 2022 and as compared to the past two prior years. 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, 2022 and 2021.

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, 2022 has total assets and deferred outflow of resources of \$3,372,002 compared to \$3,455,895 at December 31, 2021 and \$3,574,922 at December 31, 2020. The decrease from 2020 to 2022 can be primarily attributed to the decrease in capital assets due to depreciation and a decrease in cash balances.

The Authority at December 31, 2022 has total liabilities and deferred inflow of resources of \$301,460 compared to \$295,729 at December 31, 2021 and \$349,432 at December 31, 2020. The change 2020 to 2022 can be primarily attributed to the fluctuation in net pension liability and accounts payable.

The Authority at December 31, 2022 has a total net position of \$3,070,542 compared to \$3,160,166 at December 31, 2021 and \$3,225,490 at December 31, 2020. The decrease from 2020 to 2022 is primarily related to the operating loss for each year end.

Condensed Financial Information

Key Authority financial information for the years ended December 31, 2022, 2021 and 2020 include the following balances:

	<u>December 31,</u>		
	<u>2022</u>	<u>2021</u>	<u>2020</u>
<u>ASSETS</u>			
Current assets and other assets	\$ 673,128	\$ 671,984	\$ 760,979
Property, plant and equipment, net	<u>2,664,029</u>	<u>2,754,431</u>	<u>2,782,509</u>
Total assets	3,337,157	3,426,415	3,543,488
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Deferred outflows of resources	<u>34,845</u>	<u>29,480</u>	<u>31,434</u>
Total deferred outflows of resources	<u>34,845</u>	<u>29,480</u>	<u>31,434</u>
Total assets and deferred outflows of resources	<u>\$ 3,372,022</u>	<u>\$ 3,455,895</u>	<u>\$ 3,574,922</u>
<u>LIABILITIES</u>			
Current liabilities	\$ 92,253	\$ 83,151	\$ 113,895
Noncurrent liabilities	<u>182,787</u>	<u>133,372</u>	<u>167,284</u>
Total liabilities	275,040	216,523	281,179
<u>DEFERRED INFLOWS OF RESOURCES</u>			
Deferred inflows of resources	<u>26,420</u>	<u>79,206</u>	<u>68,253</u>
Total deferred inflows of resources	<u>26,420</u>	<u>79,206</u>	<u>68,253</u>
Total liabilities and deferred inflows of resources	301,460	295,729	349,432
<u>NET POSITION</u>			
Net position	<u>3,070,542</u>	<u>3,160,166</u>	<u>3,225,490</u>
Total net position	<u>3,070,542</u>	<u>3,160,166</u>	<u>3,225,490</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 3,372,002</u>	<u>\$ 3,455,895</u>	<u>\$ 3,574,922</u>
<u>OTHER FINANCIAL INFORMATION</u>			
Revenues	\$ 590,038	\$ 576,727	\$ 589,180
Expenses	<u>(679,662)</u>	<u>(642,051)</u>	<u>(684,402)</u>
Changes in net position	<u>\$ (89,624)</u>	<u>\$ (65,324)</u>	<u>\$ (95,222)</u>

Financial Position

The Authority's revenues showed a favorable variance of \$10,782 for 2022 when compared to budget and the Authority's expenses showed a favorable variance of \$11,632 for 2022 when compared to budget for a total overall favorable variance to budget of \$22,414 for the year ended December 31, 2022. The Authority's revenues showed an unfavorable variance of \$6,209 for 2021 when compared to budget and the Authority's expenses showed a favorable variance of \$30,040 for 2021 when compared to budget for a total overall favorable variance to budget of \$23,831 for the year ended December 31, 2021. Favorable revenue variances can be attributed to the collection of higher than expected user charges. Favorable 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, 2022 and 2021

<u>ASSETS</u>	<u>2022</u>	<u>2021</u>
Current Assets:		
Unrestricted Assets:		
Cash and Cash Equivalents (Note 2)	\$ 503,593	\$ 481,230
Accounts Receivable (Note 3)	86,028	101,449
Prepaid Expenses	50,390	43,621
Total Current Unrestricted Assets	<u>640,011</u>	<u>626,300</u>
Restricted Assets:		
Cash and Cash Equivalents (Note 2)	23,321	45,684
Total Current Restricted Assets	<u>23,321</u>	<u>45,684</u>
Total Current Assets	<u>663,332</u>	<u>671,984</u>
Noncurrent Assets:		
Capital Assets (Note 4)	5,840,894	5,840,894
Less: Accumulated Depreciation (Note 4)	(3,176,865)	(3,086,463)
Net Capital Assets	<u>2,664,029</u>	<u>2,754,431</u>
Right to Use Assets, Net of Amortization (Note 9)	9,796	-
Total Noncurrent Assets	<u>2,673,825</u>	<u>2,754,431</u>
Total Assets	<u>3,337,157</u>	<u>3,426,415</u>
<u>DEFERRED OUTFLOW OF RESOURCES</u>		
Deferred Outflows Related to Pensions (Note 6)	34,845	29,480
Total Deferred Outflow of Resources	<u>34,845</u>	<u>29,480</u>
Total Assets and Deferred Outflow of Resources	<u>\$ 3,372,002</u>	<u>\$ 3,455,895</u>
<u>LIABILITIES</u>		
Current Liabilities Payable from Unrestricted Assets:		
Accounts Payable	\$ 33,380	\$ 7,493
Accrued Pension Payable - Related to Pensions (Note 6)	14,156	12,536
Accrued Expenses	17,395	13,840
Unearned Revenues (Note 5)	2,501	3,598
Current portion of lease obligations (Note 5)	1,500	-
Total Current Liabilities Payable from Unrestricted Assets	<u>68,932</u>	<u>37,467</u>
Current Liabilities Payable from Restricted Assets:		
Reserve for Escrow and Inspection Deposits	23,321	45,684
Total Current Liabilities Payable from Restricted Assets	<u>23,321</u>	<u>45,684</u>
Total Current Liabilities	<u>92,253</u>	<u>83,151</u>
Noncurrent Liabilities:		
Lease Obligations, net of current of current portion (Note 5)	8,423	-
Compensated Absences Payable (Note 5)	6,989	8,354
Net Pension Liability (Note 6)	167,375	125,018
Total Noncurrent Liabilities	<u>182,787</u>	<u>133,372</u>
Total Liabilities	<u>275,040</u>	<u>216,523</u>
<u>DEFERRED INFLOW OF RESOURCES</u>		
Deferred Inflows Related to Pensions (Note 6)	26,420	79,206
Total Deferred Inflow of Resources	<u>26,420</u>	<u>79,206</u>
Total Liabilities and Deferred Inflows of Resources	<u>301,460</u>	<u>295,729</u>
<u>NET POSITION</u>		
Net Investment in Capital Assets	2,664,029	2,754,431
Unrestricted	406,513	405,735
Total Net Position	<u>3,070,542</u>	<u>3,160,166</u>
Total Liabilities, Deferred Inflow of Resources, and Net Position	<u>\$ 3,372,002</u>	<u>\$ 3,455,895</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 Revenues, Expenses and Changes in Net Position
For the years ended December 31, 2022 and 2021

	2022	2021
Operating Revenues:		
Sewer User Charges	\$ 578,637	\$ 565,674
Delinquent Charges	7,472	10,261
	586,109	575,935
Operating Expenses:		
Cost of Providing Services	342,725	328,246
Administrative Expenses	215,381	194,242
Depreciation Expense	90,402	90,987
	648,508	613,475
Total Operating Expenses		
Operating Loss	(62,399)	(37,540)
Non-Operating Revenues (Expenses):		
Interest Income	3,929	792
Appropriation to Municipality	(29,227)	(28,576)
Interest Expense	(317)	-
Amortization Expense	(1,610)	-
	(27,225)	(27,784)
Total Non-Operating Revenues (Expenses)		
Net Loss	(89,624)	(65,324)
Net Position, January 1	3,160,166	3,225,490
Net Position, December 31	\$ 3,070,542	\$ 3,160,166

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, 2022 and 2021

	<u>2022</u>	<u>2021</u>
Cash Flows from Operating Activities:		
Cash Received from Service Users	\$ 576,585	\$ 597,014
Cash Paid to Suppliers and Employees	<u>(550,970)</u>	<u>(618,027)</u>
Net Cash Provided/(Used) by Operating Activities	<u>25,615</u>	<u>(21,013)</u>
Cash Flows from Capital and Related Financing Activities:		
Payment of Township Appropriations	(29,227)	(28,576)
Acquisition and Construction of Capital Assets	<u>-</u>	<u>(62,909)</u>
Net Cash Used by Capital and Related Financing Activities	<u>(29,544)</u>	<u>(91,485)</u>
Cash Flows from Investing Activities:		
Interest on Investments and Deposits	<u>3,929</u>	<u>792</u>
Net Cash Provided by Investing Activities	<u>3,929</u>	<u>792</u>
Net Decrease in Cash and Cash Equivalents	-	(111,706)
Cash and Cash Equivalents, January 1	<u>526,914</u>	<u>638,620</u>
Cash and Cash Equivalents, December 31	<u>\$ 526,914</u>	<u>\$ 526,914</u>
Reconciliation to Statements of Net Position:		
Current Unrestricted Assets:		
Cash and Cash Equivalents	\$ 503,593	\$ 481,230
Current Restricted Assets:		
Cash and Cash Equivalents	<u>23,321</u>	<u>45,684</u>
Cash and Cash Equivalents, December 31	<u>\$ 526,914</u>	<u>\$ 526,914</u>
Reconciliation of Operating Income to Cash Flows from Operating Activities:		
Operating Loss	\$ (62,399)	\$ (37,540)
Adjustments to Reconcile Operating Income to Net Cash Provided/(Used) by Operating Activities:		
Items Which Did Not Use Cash:		
Depreciation Expense	90,402	90,987
Amortization of right to use asset	-	-
Pension Liability (Benefit) Expense - GASB 68	(15,794)	(19,984)
Working Capital Changes which provided/(used) cash:		
Accounts Receivable	15,419	(4,732)
Prepaid Expenses	(6,769)	(17,981)
Accounts Payable	25,889	(58,510)
Accrued Expenses	5,175	1,957
Unearned Revenues	(1,097)	528
Compensated Absences	(1,365)	(1,021)
Lease Obligations	(1,483)	-
Reserve for Escrow and Inspection	<u>(22,363)</u>	<u>25,283</u>
Total Adjustments	<u>88,014</u>	<u>16,527</u>
Net Cash Provided/(Used) by Operating Activities	<u>\$ 25,615</u>	<u>\$ (21,013)</u>

Noncash Investing, Capital, and Financing Activities:

During the years ended December 31, 2022 and 2021, 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

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)

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)

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.

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)

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
Building	40

Right to Use Asset

The Authority has recorded right to use asset as result of implementing GASB 87. The right to use assets are initially measured at an amount equal to the initial measurement of the related lease liability plus any lease payments made prior to the lease term, less lease incentives, and plus ancillary charges necessary to place the lease into service. The right to use assets are amortized on a straight-line basis over the life of the related lease.

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 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.

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)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

Pension

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".

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)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Income Taxes

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

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

Adopted Accounting Pronouncements

The GASB Statements became effective for the fiscal year ended December 31, 2022:

Statement No. 87, *Leases*. 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 or resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about government's leasing activities. The adoption of this statement resulted in additional disclosures in the notes to the financial statements. The financial statements were not restated due to adoption of this statement.

Subsequent Events

South Toms River Sewerage Authority has evaluated subsequent events occurring after December 31, 2022 through June 14, 2023, which is the date the financial statements were available to be issued.

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)

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, 2022 and 2021, reported at fair value, are as follows:

	<u>2022</u>	<u>2021</u>
Deposits:		
Demand deposits	\$ 526,914	\$ 526,914
Total deposits	<u>\$ 526,914</u>	<u>\$ 526,914</u>
Reconciliation to Statements of Net Position:		
Current assets:		
Unrestricted cash and cash equivalents	\$ 503,593	\$ 481,230
Current assets:		
Restricted cash and cash equivalents	<u>23,321</u>	<u>45,684</u>
Total deposits	<u>\$ 526,914</u>	<u>\$ 526,914</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 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, 2022 and 2021, the Authority's bank balances were insured or exposed to credit risk as follows:

	<u>2022</u>	<u>2021</u>
Deposits subject to custodial credit risk		
Insured by FDIC	\$ 250,000	\$ 250,000
Collateralized in the Authority's name under GUDPA	<u>35,920</u>	<u>43,593</u>
Total deposits subject to custodial credit risk	285,920	293,593
Deposits not subject to custodial credit risk		
Not collateralized in the Authority's name		
(held by New Jersey Cash Management Fund)	<u>241,490</u>	<u>237,906</u>
Total deposits not subject to custodial credit risk	<u>241,490</u>	<u>237,906</u>
Total deposits	<u>\$ 527,410</u>	<u>\$ 531,499</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)

NOTE 2: CASH AND CASH EQUIVALENTS (continued)

New Jersey Cash Management Fund

During the years ended December 31, 2022 and 2021, 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, 2022 and 2021, the Authority's deposits with the New Jersey Cash Management Fund were \$241,490 and \$237,906, respectively.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable balances at December 31, 2022 and 2021 were \$86,028 and \$101,449, 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.

NOTE 4: CAPITAL ASSETS

The activity in capital assets for the year ended December 31, 2022 is as followed:

	Balance December 31, 2021	Additions	Retirements and Transfers	Balance December 31, 2022
Capital Assets Being Depreciated:				
Collection System	\$ 5,464,617	\$ -	\$ -	\$ 5,464,617
Buildings	116,234	-	-	116,234
Equipment	218,371	-	-	218,371
Leasehold Improvements	41,672	-	-	41,672
Total Capital Assets Being Depreciated	<u>5,840,894</u>	<u>-</u>	<u>-</u>	<u>5,840,894</u>
Less: Accumulated Depreciation:				
Collection System	(2,882,312)	(72,862)	-	(2,955,174)
Buildings	(2,896)	(2,906)	-	(5,802)
Equipment	(188,388)	(11,856)	-	(200,244)
Leasehold Improvements	(12,867)	(2,778)	-	(15,645)
Total Accumulated Depreciation	<u>(3,086,463)</u>	<u>(90,402)</u>	<u>-</u>	<u>(3,176,865)</u>
Total Capital Assets being Depreciated, Net	<u>2,754,431</u>	<u>(90,402)</u>	<u>-</u>	<u>2,664,029</u>
Total Capital Assets, Net	<u>\$ 2,754,431</u>	<u>\$ (90,402)</u>	<u>\$ -</u>	<u>\$ 2,664,029</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)

NOTE 4: CAPITAL ASSETS (continued)

The activity in capital assets for the year ended December 31, 2021 is as followed:

	Balance December 31, 2020	Additions	Retirements and Transfers	Balance December 31, 2021
Capital Assets Not Being Depreciated:				
Construction in Progress	\$ 53,325	\$ -	\$ (53,325)	\$ -
Total Capital Assets Not Being Depreciated	<u>53,325</u>	<u>-</u>	<u>(53,325)</u>	<u>-</u>
Capital Assets Being Depreciated:				
Collection System	5,464,617	-	-	5,464,617
Buildings	-	116,234	-	116,234
Equipment	219,042	-	(671)	218,371
Leasehold Improvements	41,672	-	-	41,672
Total Capital Assets Being Depreciated	<u>5,725,331</u>	<u>116,234</u>	<u>(671)</u>	<u>5,840,894</u>
Less: Accumulated Depreciation:				
Collection System	(2,809,450)	(72,862)	-	(2,882,312)
Buildings	-	(2,896)	-	(2,896)
Equipment	(176,608)	(12,451)	671	(188,388)
Leasehold Improvements	(10,089)	(2,778)	-	(12,867)
Total Accumulated Depreciation	<u>(2,996,147)</u>	<u>(90,987)</u>	<u>671</u>	<u>(3,086,463)</u>
Total Capital Assets being Depreciated, Net	<u>2,729,184</u>	<u>25,247</u>	<u>-</u>	<u>2,754,431</u>
Total Capital Assets, Net	<u>\$ 2,782,509</u>	<u>\$ 25,247</u>	<u>\$ (53,325)</u>	<u>\$ 2,754,431</u>

NOTE 5: LIABILITIES

During the years ended December 31, 2022 and 2021, the following changes occurred in long-term obligations:

	Balance December 31, 2021	Additions	Reductions	Balance December 31, 2022	Balance Due Within One Year
Lease Obligations	\$ -	\$ 11,406	\$ 1,483	\$ 9,923	\$ 1,500
Net Pension Liability	125,018	42,357	-	167,375	-
Compensated Absences	8,354	-	1,365	6,989	-
	<u>\$ 133,372</u>	<u>\$ 53,763</u>	<u>\$ 2,848</u>	<u>\$ 184,287</u>	<u>\$ 1,500</u>
	Balance December 31, 2020	Additions	Reductions	Balance December 31, 2021	Balance Due Within One Year
Net Pension Liability	\$ 157,909	\$ -	\$ 32,891	\$ 125,018	\$ -
Compensated Absences	9,375	-	1,021	8,354	-
	<u>\$ 167,284</u>	<u>\$ -</u>	<u>\$ 33,912</u>	<u>\$ 133,372</u>	<u>\$ -</u>

Lease Obligations

The Authority has entered into a agreement to lease a storage space. The lease agreement qualifies as other than short-term leases under GASB 87, and therefore, has been recorded at the present value of the future minimum lease payments as of the date of their inception.

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)

NOTE 5: LIABILITIES (continued)

Lease Obligations (continued)

The lease agreement was executed on February 1, 2020 with nine-one-year options to renew annually. Since the lease inception the lease has been renewed annually. Management has determined it is reasonable that they will continue to renew this lease for the next seven additional one-year leases and then evaluate the lease when this lease expires. This lease is for storage space for the Authority's equipment at the South Toms River Recreation Commission facility and requires monthly payments of \$150. The lease liability is measured at a discount rate of 3.25%. As a result of the lease, the Authority has recorded a lease liability with a net book value of \$9,923 at December 31, 2022. The right to use asset is described in more detail at Note 9.

The following is a schedule of the remaining future minimum lease payments under the lease obligations and the present value of the net minimum lease payments at December 31, 2022:

Fiscal Year Ending	December 31,	Principal	Interest	Total
2023	\$	1,500	\$ 300	\$ 1,800
2024		1,549	251	1,800
2025		1,600	200	1,800
2026		1,653	147	1,800
2027		1,708	92	1,800
2028 -2029		1,913	37	1,950
		<u>\$ 9,923</u>	<u>\$ 1,027</u>	<u>\$ 10,950</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, 2022 and 2021, the Authority accrued compensated absences in the amount of \$6,989 and \$8,354 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, 2022 and 2021, the balances totaled \$2,501 and \$3,598, 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 (continued)

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 Annual Financial Statements, which can be found at <http://www.state.nj.us/treasury/pensions/annual-reports.shtml>.

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

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)

NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

the unfunded accrued liability. Funding for noncontributory group insurance benefits is based on actual claims paid. For the fiscal year 2022, 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 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, 2021, the Authority's contractually required contribution to PERS plan was \$13,986.

Components of Net Pension Liability - At December 31, 2022, the Authority's proportionate share of the PERS net pension liability was \$167,375. The net pension liability was measured as of June 30, 2022. 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, 2021, which was rolled forward to June 30, 2022. 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, 2022. The Authority's proportion measured as of June 30, 2022, was .0011090775% which was an increase of .0000537595% from its proportion measured as of June 30, 2021.

Balances at December 31, 2022 and December 31, 2021

	<u>12/31/2022</u>	<u>12/30/2021</u>
Actuarial valuation date (including roll forward)	June 30, 2022	June 30, 2021
Deferred Outflows of Resources	\$ 34,845	\$ 29,480
Deferred Inflows of Resources	26,420	79,206
Net Pension Liability	167,375	125,018
Authority's portion of the Plan's total Net Pension Liability	0.00111%	0.00106%

Pension Expense/(Credit) and Deferred Outflows/Inflows of Resources - At December 31, 2022, the Authority's proportionate share of the PERS expense/(credit), calculated by the plan as of the June 30, 2022 measurement date is \$(1,807).

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)

NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

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

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between Expected and Actual Experience	\$ 1,208	\$ 1,065
Changes of Assumptions	519	25,063
Net Difference between Projected and Actual Earnings on Pension Plan Investments	6,928	-
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	<u>26,190</u>	<u>292</u>
	<u>\$ 34,845</u>	<u>\$ 26,420</u>

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

	<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, 2017	5.48	-
June 30, 2018	-	5.63
June 30, 2019	5.21	-
June 30, 2020	5.16	-
June 30, 2021	-	5.13
June 30, 2022	-	5.04

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)

NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Changes of Assumptions		
Year of Pension Plan Deferral:		
June 30, 2017	-	5.48
June 30, 2018	-	5.63
June 30, 2019	-	5.21
June 30, 2020	-	5.16
June 30, 2021	5.13	-
June 30, 2022	-	5.04
Net Difference between Projected and Actual Earnings on Pension Plan Investments		
Year of Pension Plan Deferral:		
June 30, 2018	-	5.00
June 30, 2019	5.00	-
June 30, 2020	5.00	-
June 30, 2021	-	5.00
June 30, 2022	5.00	-
Changes in Proportion and Differences between Contributions and Proportionate Share of Contributions		
Year of Pension Plan Deferral:		
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
June 30, 2021	5.13	5.13
June 30, 2022	5.04	5.04

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)

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>December 31,</u>	<u>Amount</u>
2023	\$ (9,177)
2024	(2,135)
2025	1,613
2026	12,962
2027	<u>5,162</u>
	<u>\$ 8,425</u>

Special Funding Situation – Under N.J.S.A. 43:15A-15, local participating employers are responsible for their own contributions based on actuarially determined amounts, except where legislation was passed which legally obligated the State if certain circumstances occurred. The legislation which legally obligates the State, are Chapter 366, P.L. 2001 and Chapter 133, P.L. 2001.

The amounts contributed on behalf of the local participating employers under this legislation is considered to be a special funding situation as defined by GASB Statement No. 68 and the State is treated as a non-employer contributing entity. Since the local participating employers do not contribute under this legislation directly to the plan (except for employer specific financed amounts), there is no net pension liability to report in the financial statements of the local participating employers related to this legislation. At December 31, 2022, the State's proportionate share of the PERS expense, associated with the Authority, calculated by the plan as of the June 30, 2021 measurement date was \$352.

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:

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)

NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Inflation:

Price	2.75%
Wage	3.25%

Salary Increases:

2.75 - 6.55%
Based on Years of Service

Investment Rate of Return	7.00%
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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-2021
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Period of Actuarial Experience

Study upon which Actuarial Assumptions were Based	July 1, 2018 - June 30, 2021
---	------------------------------

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.

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, 2022) 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

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)

NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

adding expected inflation. Best estimates of arithmetic rates of return for each major asset class included in PERS's target asset allocation as of June 30, 2022 are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
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%
	<u>100.00%</u>	

Discount Rate - The discount rate used to measure the total pension liability was 7.00% as of June 30, 2022. The projection of cash flows used to determine the discount rate assumed that contributions from plan members will be made at the current member contribution rates and that contributions from employers and the nonemployer contributing entity will be based on 100% of the actuarially determined contributions for the State employer and 100% of actuarially determined contributions for the local employers. 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.

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)

NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Sensitivity of the Authority's proportionate share of the Net Pension Liability to Changes in the Discount Rate - The following presents the Authority's proportionate share of the net pension liability 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 <u>(6.00%)</u>	Current Discount Rate <u>(7.00%)</u>	1% Increase <u>(8.00%)</u>
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 216,849</u>	<u>\$ 167,375</u>	<u>\$ 127,895</u>

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 with rates increasing to \$106 per quarter effective November 9, 2022.

Commercial User Charges

- Commercial businesses will be billed on a quarterly basis at the rate of \$125 per quarter for the first four fixtures. Each additional fixture will be billed \$30 each per quarter. Fixtures are defined as sinks, toilets, bathtubs, showers, dishwashers, washing machines and floor drains.

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.

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)

NOTE 8: CONNECTION FEE AGREEMENT (continued)

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 commenced but the Authority has not received any connection fees.

NOTE 9: RIGHT TO USE ASSETS

The Authority has recorded a right to use asset. The asset is a right to use asset for leased garage space. The related lease is discussed in the Lease subsection of Note 5, Liabilities. The right to use asset is amortize on a straight-line basis over the terms of the related leases.

Right to use asset activity for the Authority for the year ended December 31, 2022, was as follows:

	<u>Balance</u> <u>December 31, 2021</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>December 31, 2022</u>
Right to Use assets:				
Garage space	\$ -	\$ 11,406	\$ -	\$ 11,406
Total Right to Use assets	<u>\$ -</u>	<u>\$ 11,406</u>	<u>\$ -</u>	<u>\$ 11,406</u>
Less: Accumulated amortization				
Garage space	-	-	1,610	(1,610)
Total Accumualted amortization	<u>-</u>	<u>-</u>	<u>1,610</u>	<u>(1,610)</u>
	<u>\$ -</u>	<u>\$ 11,406</u>	<u>\$ 1,610</u>	<u>\$ 9,796</u>

NOTE 10: 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. This agreement was amended in March 9, 2020 to decrease monthly rental to \$1 beginning January 1, 2021 to December 31, 2021. Total rent expense for the years ended December 31, 2022 and 2021 totaled \$12 and \$12, respectively. See Note 5 for additional lease commitments.

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, 2022, 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, 2022, 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's Proportionate Share of the Net Pension Liability
 Public Employees' Retirement System (PERS)
 Last Ten Fiscal Years

	Measurement Date Ended June 30,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Authority's proportion of the net pension liability	0.00111%	0.00106%	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	\$ 167,375	\$ 125,018	\$ 157,909	\$ 173,756	\$ 167,267	\$ 200,446	\$ 256,837	\$ 180,397	\$ 150,075	\$ 84,110
Authority's covered payroll	\$ 75,330	\$ 77,336	\$ 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	222.19%	161.66%	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	62.91%	70.33%	58.32%	56.27%	53.60%	48.10%	47.93%	52.08%	52.08%	48.72%

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 Contributions
Public Employees' Retirement System (PERS)
Last Ten Fiscal Years

	Year ended December 31,									
	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Authority's contractually required contribution	\$ 13,986	\$ 12,359	\$ 10,593	\$ 9,380	\$ 8,450	\$ 7,977	\$ 7,704	\$ 6,909	\$ 6,608	\$ 3,316
Contributions in relation to the contractually required contribution	(13,986)	(12,359)	(10,593)	(9,380)	(8,450)	(7,977)	(7,704)	(6,909)	(6,608)	(3,316)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered payroll	\$ 94,652	\$ 75,330	\$ 77,336	\$ 70,072	\$ 68,524	\$ 59,656	\$ 59,656	\$ 69,116	\$ 60,777	\$ 61,454
Contributions as a percentage of covered payroll	14.78%	16.41%	13.70%	13.39%	12.33%	13.37%	12.91%	10.00%	10.87%	5.40%

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Notes to the Required Supplementary Information
December 31, 2022

Public Employees' Retirement System (PERS)

Changes in plan provisions and benefit terms

The June 30, 2022 measurement date includes three changes in plan provisions, one of which had an impact on the State's total net pension liability. Chapter 226, P.L. 2021 reopened the Prosecutors Part of PERS and made membership in the Prosecutors Part of PERS mandatory for all prosecutors.

Changes of Assumptions

The discount rate used as of June 30, measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2022	7.00%	2019	6.28%	2016	3.98%
2021	7.00%	2018	5.66%	2015	4.90%
2020	7.00%	2017	5.00%	2014	5.39%

The long-term expected rate of return used as of June 30, measurement date is as follows:

<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>	<u>Year</u>	<u>Rate</u>
2022	7.00%	2019	7.00%	2016	7.65%
2021	7.00%	2018	7.00%	2015	7.90%
2020	7.00%	2017	7.00%	2014	7.90%

The mortality assumption was updated upon the direction from the Division of Pensions and Benefits.

SOUTH TOMS RIVER SEWERAGE AUTHORITY
Schedule of Revenues and Expenses - Budget to Actual
For the years ended December 31, 2022 and 2021

	For the year ended December 31, 2022				For the year ended December 31, 2021			
	Original Budget	Final Budget	Actual	Favorable (Unfavorable)	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
REVENUES:								
User Charges and Fees	\$ 569,840	\$ 569,840	\$ 578,637	\$ 8,797	\$ 569,840	\$ 569,840	\$ 565,674	\$ (4,166)
Connection Fees	3,896	3,896	-	(3,896)	3,896	3,896	-	(3,896)
Delinquent Charges	5,300	5,300	7,472	2,172	4,100	4,100	10,261	6,161
Interest Income	120	120	3,929	3,809	5,000	5,000	792	(4,208)
Other Revenue	100	100	-	(100)	100	100	-	(100)
TOTAL REVENUES	579,256	579,256	590,038	10,782	582,936	582,936	576,727	(6,209)
EXPENSES:								
Operating Appropriations:								
Cost of Providing Services:								
Salaries, Wages and Payroll Taxes	27,250	34,250	33,905	345	27,250	27,250	27,593	(343)
OCUA Fees	300,000	304,200	304,124	76	300,000	314,100	293,387	20,713
Engineering	15,000	1,500	900	600	15,000	1,000	488	512
Sewer Maintenance Supplies	12,000	7,900	7,687	213	12,000	10,000	10,066	(66)
Garage Rental	1,800	1,800	-	1,800	1,800	1,800	1,800	-
Renewal and Replacement	1,000	-	-	-	1,000	1,000	-	1,000
Total Cost of Providing Services	357,050	349,650	346,616	3,034	357,050	355,150	333,334	21,816
Administrative Expenses:								
Salaries, Wages and Payroll Taxes	86,065	104,065	103,732	333	75,000	81,200	80,786	414
Employee Fringe Benefits	22,355	25,155	23,365	1,790	20,625	22,925	18,316	4,609
Health Insurance	21,677	19,677	19,328	349	21,452	22,252	19,527	2,725
Legal Expense	22,000	9,900	9,278	622	22,000	12,000	11,554	446
Audit and Consulting	29,000	29,000	25,069	3,931	29,000	26,000	24,650	1,350
Office Expenses, Cleaning and Supplies	10,000	12,000	12,863	(863)	10,000	15,300	17,591	(2,291)
Insurance	21,000	22,750	22,467	283	21,000	21,000	21,687	(687)
Postage	4,800	3,300	3,097	203	4,800	4,900	4,892	8
Telephone	2,000	2,000	1,916	84	2,000	2,000	1,433	567
Utilities	3,235	3,235	-	3,235	3,335	3,335	3,298	37
Fuel	1,500	1,500	2,005	(505)	1,500	1,500	1,404	96
Licenses and Permits	3,000	-	1,171	(1,171)	3,000	3,100	3,875	(775)
Miscellaneous	1,850	3,300	2,993	307	1,850	1,850	125	1,725
Total Administrative Expenses	228,482	235,882	227,284	8,598	215,462	217,362	209,138	8,224
TOTAL OPERATING APPROPRIATIONS	585,532	585,532	573,900	11,632	572,512	572,512	542,472	30,040
OTHER COSTS FUNDED BY REVENUES:								
Appropriation to Municipality	29,227	29,227	29,227	-	28,576	28,576	28,576	-
TOTAL COSTS FUNDED BY REVENUES	29,227	29,227	29,227	-	28,576	28,576	28,576	-
TOTAL EXPENSES	614,759	614,759	603,127	11,632	601,088	601,088	571,048	30,040
BUDGETARY REVENUES OVER EXPENSES	\$(35,503)	\$(35,503)	\$(13,089)	22,414	\$(18,152)	\$(18,152)	5,679	23,831

SOUTH TOMS RIVER SEWERAGE AUTHORITY
Schedule of Revenues and Expenses - Budget to Actual (continued)
For the years ended December 31, 2022 and 2021

	2022 Actual	2021 Actual
Reconciliation of Budgetary Basis to Net Loss:		
Budgetary Revenues Over Expenses	\$ (13,089)	\$ 5,679
Adjustments to Budgetary Basis:		
Depreciation Expense	(90,402)	(90,987)
Pension Liability Benefit/(expense) - GASB 68	15,794	19,984
Interest Expense	(317)	-
Amortization Expense	(1,610)	-
Total Adjustments	(76,535)	(71,003)
Net Loss	\$ (89,624)	\$ (65,324)

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, 2022

	<u>Position</u>	<u>Term</u>
George Rutzler.....	Chairman	2027
Marianne Grasso	Vice Chairman	2023
Joseph Jubert	Secretary	2024
Kayla Rolzhausen.....	Treasurer	2026
Jason Gloglich.....	Vice Treasurer	2028



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The Chairman and Commissioners
of South Toms River Sewerage Authority
County of Ocean
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, 2022. 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 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 October 13, 2021 and adopted its operating budget on November 10, 2021.

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.

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.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

June 14, 2023
Lakewood, New Jersey