

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 Information

For the years ended December 31, 2024 and 2023
(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)

CONTENTS

	<u>PAGE</u>
Independent Auditor's Report	1
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 <i>Government Auditing Standards</i>	4
Required Supplementary Information, Part I:	
Management's Discussion & Analysis	6
Basic Financial Statements:	
Statements of Net Position	9
Statements of Revenues, Expenses, and Changes in Net Position	11
Statements of Cash Flows	12
Notes to the Financial Statements	14
Required Supplementary Information, Part II:	
Schedule I – Schedule of Authority's Proportionate Share of the Net Pension Liability – PERS	31
Schedule II – Schedule of Authority Contributions – PERS	32
Notes to the Required Supplemental Information	33
Supplementary Information:	
Schedule III – Schedules of Revenues and Expenses – Budget to Actual For the year ended December 31, 2024	34
Schedule IV – Schedules of Revenues and Expenses – Budget to Actual For the year ended December 31, 2023	35
Roster of Officials	36
General Comments and Recommendations	37



Certified Public Accountants + Advisors

1985 Cedar Bridge Ave., Suite 3 • Lakewood, NJ 08701 • 732.797.1333

194 East Bergen Place • Red Bank, NJ 07701 • 732.747.0010

www.hfacpas.com

INDEPENDENT AUDITOR'S REPORT

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

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, 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, 2024 and 2023, and the related notes to the financial statements, which collectively comprise the South Toms River Sewerage 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 South Toms River Sewerage Authority, as of December 31, 2024 and 2023, and the respective changes in financial position and, where applicable, cash flows thereof 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 South Toms River Sewerage 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 South Toms River Sewerage

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 opinion. 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 South Toms River Sewerage 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 South Toms River Sewerage 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 opinions on the financial statements that collectively comprise the South Toms River Sewerage Authority's basic financial statements. The accompanying supplementary information as listed on the table of contents, is presented for purposes of additional analysis and are not a required part of the 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 supplementary information 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 July 15, 2025 on our consideration of the South Toms River Sewerage 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 South Toms River Sewerage Authority's internal control over financial reporting and compliance.

HOLMAN FRENIA ALLISON, P.C.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

July 15, 2025
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
Borough of South Toms River
County of Ocean, State of 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, as of and for the year ended December 31, 2024, and the related notes to the financial statements, which collectively comprise the South Toms River Sewerage Authority's basic financial statements and have issued our report thereon dated July 15, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered South Toms River Sewerage 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 South Toms River Sewerage Authority's internal control. Accordingly, we do not express an opinion on the effectiveness of South Toms River Sewerage 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 South Toms River Sewerage 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 one instance 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 and which is described in the accompanying general comments and recommendations as finding 2024-001.

South Toms River Sewerage Authority's Response to Finding

Government Auditing Standards requires the auditor to perform limited procedures on South Toms River Sewerage Authority's response to the findings identified in our audit and described in the accompanying General Comments and Recommendations. South Toms River Sewerage Authority's response was not subjected to the other auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on the response.

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 South Toms River Sewerage 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.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

July 15, 2025
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, 2024 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, 2024 and 2023.

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, 2024 has total assets and deferred outflow of resources of \$3,149,601 compared to \$3,194,571 at December 31, 2023 and \$3,372,002 at December 31, 2022. The decrease from 2022 to 2024 can be primarily attributed to the decrease in capital assets due to current year depreciation expense offset by an increase in unrestricted cash balances.

The Authority at December 31, 2024 has total liabilities and deferred inflow of resources of \$232,221 compared to \$262,032 at December 31, 2023 and \$301,460 at December 31, 2022. The change from 2022 to 2024 can be primarily attributed to the decrease in the Authority's compensated absences, lease obligations, and net pension obligations.

The Authority at December 31, 2024 has a total net position of \$2,917,380 compared to \$2,932,539 at December 31, 2023 and \$3,070,542 at December 31, 2022. The decrease from 2022 to 2024 is primarily related to operating losses in 2023 and 2022.

Condensed Financial Information

Key Authority financial information for the years ended December 31, 2024, 2023 and 2022 include the following balances:

	December 31,		
	2024	2023	2022
ASSETS AND DEFERRED OUTFLOWS OF RESOURCES			
Current unrestricted and other assets and			
Deferred outflows of resources	\$ 658,701	\$ 601,646	\$ 674,856
Current restricted assets	646	10,629	23,321
Capital assets, net	2,490,254	2,582,296	2,673,825
Total assets and deferred outflows of resources	<u>\$ 3,149,601</u>	<u>\$ 3,194,571</u>	<u>\$ 3,372,002</u>
LIABILITIES AND DEFERRED INFLOWS OF RESOURCES			
Current unrestricted and other liabilities	\$ 45,012	\$ 43,286	\$ 67,432
Current restricted liabilities	646	12,178	24,821
Deferred inflows of resources	186,563	206,568	209,207
Total liabilities and deferred inflows of resources	<u>232,221</u>	<u>262,032</u>	<u>301,460</u>
NET POSITION			
Investment in capital assets, net of related debt	2,490,254	2,573,873	2,663,902
Net position - unrestricted	427,126	358,666	406,640
Total liabilities, deferred inflows of resources and net position	<u>\$ 3,149,601</u>	<u>\$ 3,194,571</u>	<u>\$ 3,372,002</u>
OPERATING REVENUES			
User charges	\$ 593,626	\$ 580,556	\$ 578,637
Connection fees	80,478	100	-
Other revenues	36,981	6,302	7,472
Total operating revenues	<u>711,085</u>	<u>586,958</u>	<u>586,109</u>
OPERATING EXPENSES			
Administrative	240,581	246,515	215,381
Cost of providing services	384,093	368,807	342,725
Depreciation	84,393	91,529	90,402
Total operating expenses	<u>709,067</u>	<u>706,851</u>	<u>648,508</u>
Operating income (loss)	<u>2,018</u>	<u>(119,893)</u>	<u>(62,399)</u>
Non-operating (expenses)	<u>(17,177)</u>	<u>(18,110)</u>	<u>(27,225)</u>
Change in net position	<u>(15,159)</u>	<u>(138,003)</u>	<u>(89,624)</u>
Net position, beginning of year	<u>2,932,539</u>	<u>3,070,542</u>	<u>3,160,166</u>
Net position, end of year	<u>\$ 2,917,380</u>	<u>\$ 2,932,539</u>	<u>\$ 3,070,542</u>

Budget Performance

The Authority's operating and non-operating revenues showed a favorable variance of \$145,272 for 2024 when compared to budget and the Authority's operating and non-operating expenses showed an unfavorable variance of \$14,384 for 2024 when compared to budget for a total overall favorable variance to budget of \$130,888 for the year ended December 31, 2024. The Authority's operating and non-operating revenues showed a favorable variance of \$19,984 for 2023 when compared to budget and the Authority's operating and non-operating expenses showed an unfavorable variance of \$15,252 for 2023 when compared to budget for a total overall favorable variance to budget of \$4,732 for the year ended December 31, 2023. The Authority's operating and non-operating revenues showed a favorable variance of \$10,782 for 2022 when compared to budget and the Authority's operating and non-operating 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. Favorable revenue variances can be attributed to the collection of higher than expected user charges. Unfavorable expense variances can be attributed to higher than expected expenses in each year across the Authority as a whole.

Contacting the Authority's Financial 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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
ASSETS		
Current unrestricted assets:		
Cash and cash equivalents (Note 2)	\$ 520,822	\$ 443,459
Accounts receivable (Note 3)	79,216	84,357
Prepaid assets	<u>32,806</u>	<u>37,129</u>
Total current unrestricted assets	<u>632,844</u>	<u>564,945</u>
Current restricted assets:		
Cash and cash equivalents (Note 2)	<u>646</u>	<u>10,629</u>
Total current restricted assets	<u>646</u>	<u>10,629</u>
Capital assets (Note 4)	5,840,894	5,852,300
Less: accumulated depreciation and amortization (Note 4)	<u>(3,350,640)</u>	<u>(3,270,004)</u>
Capital assets, net	<u>2,490,254</u>	<u>2,582,296</u>
Total assets	<u>3,123,744</u>	<u>3,157,870</u>
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows of resources related to pensions (Note 6)	<u>25,857</u>	<u>36,701</u>
Total deferred outflow of resources	<u>25,857</u>	<u>36,701</u>
Total assets and deferred outflow of resources	<u><u>\$ 3,149,601</u></u>	<u><u>\$ 3,194,571</u></u>

The accompanying notes are an integral part of these financial statements.

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 (continued)
December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
LIABILITIES		
Current unrestricted liabilities:		
Accounts payable	\$ 6,776	\$ 5,912
Unearned revenue	2,856	2,506
Accrued expenses	18,336	18,031
Pension payable	<u>17,044</u>	<u>16,837</u>
Total current unrestricted liabilities	<u>45,012</u>	<u>43,286</u>
Current restricted liabilities:		
Current portion of lease obligations (Note 5)	-	1,549
Reserve for escrow and inspection deposits	<u>646</u>	<u>10,629</u>
Total current restricted liabilities	<u>646</u>	<u>12,178</u>
Long-term liabilities:		
Compensated absences (Note 5)	7,056	7,407
Lease obligations, net of current portion (Note 5)	-	6,874
Net pension liability (Note 6)	<u>168,472</u>	<u>180,604</u>
Total long-term liabilities	<u>175,528</u>	<u>194,885</u>
Total liabilities	<u>221,186</u>	<u>250,349</u>
DEFERRED INFLOW OF RESOURCES		
Deferred inflows of resources related to pensions (Note 6)	<u>11,035</u>	<u>11,683</u>
Total deferred inflow of resources	<u>11,035</u>	<u>11,683</u>
Total liabilities and deferred inflow of resources	<u>232,221</u>	<u>262,032</u>
NET POSITION		
Investments in capital assets	2,490,254	2,573,873
Unrestricted	<u>427,126</u>	<u>358,666</u>
Total net position	<u>2,917,380</u>	<u>2,932,539</u>
Total liabilities, deferred inflow of resources and net position	<u>\$ 3,149,601</u>	<u>\$ 3,194,571</u>

The accompanying notes are an integral part of these financial statements.

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Operating revenues:		
User charges	\$ 593,626	\$ 580,556
Connection fees	80,478	100
Inspection and review	27,369	-
Delinquent charges	7,021	6,302
Other operating revenues	2,591	-
	<u>711,085</u>	<u>586,958</u>
Total operating revenues		
Operating expenses:		
Administrative expenses	248,900	254,414
Cost of providing services	375,774	360,908
Depreciation and amortization	84,393	91,529
	<u>709,067</u>	<u>706,851</u>
Total operating expenses		
Operating income (loss)	<u>2,018</u>	<u>(119,893)</u>
Non-operating revenues (expenses):		
Interest income	13,473	12,312
Interest expense	(89)	(300)
Municipal appropriation	(30,561)	(30,122)
	<u>(17,177)</u>	<u>(18,110)</u>
Total non-operating revenues (expenses)		
Change in net position	(15,159)	(138,003)
Net position, January 1	<u>2,932,539</u>	<u>3,070,542</u>
Net position, December 31	<u>\$ 2,917,380</u>	<u>\$ 2,932,539</u>

The accompanying notes are an integral part of these financial statements.

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, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Cash flows from operating activities:		
Cash received from service users	\$ 716,576	\$ 588,634
Cash paid to suppliers	(461,527)	(483,158)
Cash paid to employees	(208,702)	(190,314)
Net cash flows from operating activities	<u>46,347</u>	<u>(84,838)</u>
Cash flows from capital and related financing activities:		
Write-off of expired right of use leased assets	7,649	-
Interest expense	(89)	(300)
Net cash flows from capital and related financing activities	<u>7,560</u>	<u>(300)</u>
Cash flows from investing activities:		
Interest income	13,473	12,312
Net cash flows from investing activities	<u>13,473</u>	<u>12,312</u>
Net change in cash and cash equivalents	67,380	(72,826)
Unrestricted and restricted cash and cash equivalents, January 1	<u>454,088</u>	<u>526,914</u>
Unrestricted and restricted cash and cash equivalents, December 31	<u><u>\$ 521,468</u></u>	<u><u>\$ 454,088</u></u>
Reconciliation to the Statements of Net Position:		
Current unrestricted assets:		
Cash and cash equivalents	\$ 520,822	\$ 443,459
Current restricted assets:		
Cash and cash equivalents	646	10,629
Unrestricted and restricted cash and cash equivalents, December 31	<u><u>\$ 521,468</u></u>	<u><u>\$ 454,088</u></u>

The accompanying notes are an integral part of these financial statements.

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 (continued)
For the Years Ended December 31, 2024 and 2023

	<u>2024</u>	<u>2023</u>
Reconciliation of operating loss to cash flows from operating activities:		
Operating income (loss)	\$ 2,018	\$ (119,893)
Adjustments to reconcile operating loss to cash flows provided from operating activities:		
Depreciation and amortization	84,393	91,529
Municipal appropriation	(30,561)	(30,122)
Unbudgeted pension expense (benefit)	(1,936)	(3,364)
Changes in assets and liabilities:		
(Increase) decrease in accounts receivables	5,141	1,671
(Increase) decrease in prepaid assets	4,323	13,261
(Increase) decrease in accounts payable	864	(27,468)
(Increase) decrease in unearned revenues	350	5
(Increase) decrease in accrued expenses	305	636
(Increase) decrease in pension payable	207	2,681
(Increase) decrease in lease obligations	(8,423)	(1,500)
(Increase) decrease in reserve for escrow and insepection deposits	(9,983)	(12,692)
(Increase) decrease in compensated absences	(351)	418
Cash flows from operating activities	<u>\$ 46,347</u>	<u>\$ (84,838)</u>

The accompanying notes are an integral part of these financial statements.

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the South Toms River Sewerage Authority (hereafter referred to as 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

The Authority is a public politic and corporate body organized and existing under the Municipal and County Utilities Authority law constituting Chapter 183 of the Pamphlet Laws of 1957 of the State of New Jersey, approved August 22, 1957 and was created 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 Authority of South Toms River. The Authority's basic financial statements include all accounts of the Authority's operations. The Authority consists of five members, who are appointed by resolution of the Authority Committee for five-year terms.

Component Unit

The Authority is considered to be a "Component Unit" of the Authority of South Toms River under GAAP however, the Authority 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 Authority's financial statements of potential component units, based on the separate legal status of these units. Accordingly, the financial statements of the Authority 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 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. 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 lease liabilities and unrestricted components.

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Water and 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, in which 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* 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.

The legal level of budgetary control is established at the detail shown on the 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.

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Cash and Cash Equivalents

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. U.S. treasury and agency obligations and certificates of deposit with maturities of one year or less when purchased are stated at cost. All other investments are stated at fair value. As of December 31, 2024, and 2023, respectively, the Authority did not have cash equivalents.

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.

Accounts Receivable

Accounts receivable consist primarily of amounts due from customers for services provided by the Authority including sewer and other utility services. Accounts receivables are recorded at their invoiced amounts, less an allowance for doubtful accounts. The Authority evaluates the collectability of accounts receivable based on the age of outstanding balances and historical collection experience. An allowance for doubtful accounts is recorded when it is probable that some portion of the receivables will not be collected. Receivables are written off when deemed uncollectible. Interest and penalties may be charged on delinquent customer accounts, and these amounts are recognized when incurred. Customer deposits, if required, are applied against unpaid receivable balances when accounts become delinquent or are closed.

Prepaid Assets

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

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Inventory

Treatment of sewerage and sludge is provided by the Ocean County Utilities Authority (OCUA). As a result, there is no inventory of chemicals or other materials on hand as of December 31, 2024 and 2023, respectively.

Capital Assets

Capital assets primarily consist of expenditures to acquire, construct, place in operation and or improve the facilities of the Authority. Non-leased capital assets are recorded at historical cost or estimated historical cost if actual cost is not available. 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 for reporting all non-leased capital assets at \$5,000. Depreciation is recorded on the straight-line basis over the use live of the assets as follows:

<u>Description:</u>	<u>Years:</u>
Buildings	40
Leasehold improvements	15
Machinery and equipment	5 - 15
Sewer collection systems	75

The Authority follows GASB Statement No. 87: *Leases*, for recognizing right to use leased assets. Right to use leased assets represent the Authority's right to use an underlying asset for the lease term and are recorded at the present value for future lease payments at the commencement of the lease. Right to use leased assets are amortized over the shorter of the lease term or the estimated useful life of the asset. Short term leases (12 months or less) are expensed as incurred.

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 Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the 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

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* requires participating employers, including the Authority, in the State of New Jersey Public Employees Retirement System (PERS) plan to recognize their proportionate share of the collective total pension liability, collective deferred outflows of resources, collective deferred inflows of resources, and collective pension expense based on the ratio of plan members of an individual employer to the total members of the plan. See Note 6: *Pension Obligations* for more information about the plan.

Net Position

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

- *Investment in Capital Assets, net* – Represent capital assets, including right to use leased assets, net of accumulated depreciation and amortization, and reduced by any related outstanding debt or lease liabilities incurred for their acquisition, construction, or improvement of those assets.
- *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 is reported as unrestricted when it does not meet the criteria of the other two components of net position.

Income Taxes

The Authority operates as defined by Internal Revenue Code Section 115 and appropriately is exempt from income taxes under Section 115.

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 Authority and sales of capital assets.

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements (continued)

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 Pronouncements Adopted in Current Year

The following GASB statements became effective for the fiscal year ended December 31, 2024:

- Statement No. 100, *Accounting Changes and Error Corrections – an amendment of GASB Statement 62.*
- Statement No. 101, *Compensated Absences.*

Management has determined that the implementation of these statements did not have a significant impact on the Authority's financial statements.

Accounting Pronouncements Effective in Future Reporting Periods

The following accounting pronouncements will become effective in future reporting periods:

- Statement No. 102, *Certain Risk Disclosures.* The requirements of this statement are effective for fiscal years beginning after June 15, 2024.
- Statement No. 103, *Financial Reporting Model Improvements.* The requirements of this statement are effective for fiscal years beginning after June 15, 2025.
- Statement No. 104, *Disclosure of Certain Capital Assets.* The requirements of this statement are effective for fiscal years beginning after June 15, 2025.

Management has not yet determined the potential impact on the Authority's financial statements.

Reclassification

Certain amounts for the year ended December 31, 2023, have been reclassified to conform with presentation for the year ended December 31, 2024. The reclassification had no impact on previously recorded net position.

Subsequent Events

The Authority has evaluated subsequent events occurring after December 31, 2024 through July 15, 2025, which is the date the financial statements were available to be issued.

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements (continued)

NOTE 2: CASH AND CASH EQUIVALENTS

The Authority is governed by the deposit and investment limitations of New Jersey state law. The deposits held at December 31, 2024 and 2023, and reported at fair value are as follows:

	Carrying Value:	
	2024	2023
Deposits:		
Demand deposits	\$ 521,220	\$ 453,840
Petty cash	248	248
Total deposits	<u>\$ 521,468</u>	<u>\$ 455,088</u>
Reconciliation to the Statements of Net Position:		
Current assets:		
Unrestricted cash and cash equivalents	\$ 520,822	\$ 443,459
Current assets:		
Restricted cash and cash equivalents	646	10,629
Total deposits	<u>\$ 521,468</u>	<u>\$ 454,088</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, 2024 and 2023, the Authority's bank balances were insured or exposed to credit risk as follows:

	2024	2023
Deposits subject to custodial credit risk:		
Insured by FDIC	\$ 250,000	\$ 220,589
Collateralized in the Authority's name under GUDPA	5,662	-
Total deposits subject to custodial credit risk	<u>255,662</u>	<u>220,589</u>
Deposits not subject to custodial credit risk:		
Not collateralized in the Authority's name (held by New Jersey Cash Management Fund)	267,058	253,694
Total deposits not subject to custodial credit risk	<u>267,058</u>	<u>253,694</u>
Total deposits	<u>\$ 522,721</u>	<u>\$ 474,283</u>

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements (continued)

NOTE 2: CASH AND CASH EQUIVALENTS (continued)

New Jersey Cash Management Fund

During the years ended December 31, 2024 and 2023, 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 ensure 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, 2024 and 2023, the Authority's deposits with the New Jersey Cash Management Fund were \$267,058 and \$253,694, respectively.

NOTE 3: ACCOUNTS RECEIVABLE

Accounts receivable at December 31, 2024 and 2023 consisted of the following:

	<u>2024</u>	<u>2023</u>
Accounts receivable	\$ 79,216	\$ 84,357
Total	<u>\$ 79,216</u>	<u>\$ 84,357</u>

NOTE 4: CAPITAL ASSETS

The activity in capital assets for the year ended December 31, 2024 and 2023, is as followed:

	<u>2024</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Retirements/ Adjustments)</u>	<u>Ending Balance</u>
Capital assets being depreciated and amortized:				
Buildings	\$ 116,234	\$ -	\$ -	\$ 116,234
Leasehold improvements	41,672	-	-	41,672
Machinery and equipment	218,371	-	-	218,371
Sewer collections system	5,464,617	-	-	5,464,617
Right to use leased assets	11,406	-	(11,406)	-
Total capital assets not being depreciated and amortized	5,852,300	-	(11,406)	5,840,894
Less: accumulated depreciation and amortization	<u>(3,270,004)</u>	<u>(84,393)</u>	<u>3,757</u>	<u>(3,350,640)</u>
Total capital assets, net	<u>\$ 2,582,296</u>	<u>\$ (84,393)</u>	<u>\$ (7,649)</u>	<u>\$ 2,490,254</u>

	<u>2023</u>			
	<u>Beginning Balance</u>	<u>Additions</u>	<u>(Retirements/ Adjustments)</u>	<u>Ending Balance</u>
Capital assets being depreciated and amortized:				
Buildings	\$ 116,234	\$ -	\$ -	\$ 116,234
Leasehold improvements	41,672	-	-	41,672
Machinery and equipment	218,371	-	-	218,371
Sewer collections system	5,464,617	-	-	5,464,617
Right to use leased assets	11,406	-	-	11,406
Total capital assets not being depreciated and amortized	5,852,300	-	-	5,852,300
Less: accumulated depreciation and amortization	<u>(3,178,475)</u>	<u>(91,529)</u>	<u>-</u>	<u>(3,270,004)</u>
Total capital assets, net	<u>\$ 2,673,825</u>	<u>\$ (91,529)</u>	<u>\$ -</u>	<u>\$ 2,582,296</u>

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements (continued)

NOTE 4: CAPITAL ASSETS (continued)

Depreciation and amortization expense for the years ended December 31, 2024 and 2023 was \$84,393 and \$91,529, respectively.

NOTE 5: LONG-TERM LIABILITIES

During the years ended December 31, 2024 and 2023, the following changes occurred in long-term obligations:

2024					
	Beginning Balance	Additions	(Retirements/ Adjustments)	Ending Balance	Balance Due Within One Year
Compensated absences	\$ 7,407	\$ -	\$ (351)	\$ 7,056	\$ -
Lease obligations	8,423	-	(8,423)	-	-
Net pension liability	180,604	-	(12,132)	168,472	-
Total	<u>\$ 196,434</u>	<u>\$ -</u>	<u>\$ (20,906)</u>	<u>\$ 175,528</u>	<u>\$ -</u>

2023					
	Beginning Balance	Additions	(Retirements/ Adjustments)	Ending Balance	Balance Due Within One Year
Compensated absences	\$ 6,989	\$ 418	\$ -	\$ 7,407	\$ -
Lease obligations	9,923	-	(1,500)	8,423	-
Net pension liability	167,375	13,229	-	180,604	-
Total	<u>\$ 184,287</u>	<u>\$ 13,647</u>	<u>\$ (1,500)</u>	<u>\$ 196,434</u>	<u>\$ -</u>

Compensated Absences

For the years ended December 31, 2024 and 2023, the Authority accrued compensated absences in the amount of \$7,056 and \$7,407 respectively.

Lease Obligations

The Authority had entered into an agreement to lease a storage space. The lease agreement qualifies as other than short-term leases under GASB 87: *Leases* and therefore, had been recorded at the present value of the future minimum lease payments as of the date of their inception. The lease agreement was executed on February 1, 2020, with nine (9) one (1) year options to renew annually. In 2024, the Authority, did not exercise the option to renew the lease agreement and as a result the lease was cancelled under the original terms of the agreement.

Net Pension Liability

For details on the net pension liability, see the Pension Obligations in Note 6: *Pension Obligations*. The Authority's annual required contribution to the Public Employees' Retirement System is budgeted and paid on an annual basis.

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

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements (continued)

NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

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 2024, the State's pension contribution was more 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, 2024, the Authority's contractually required contribution to PERS plan was \$16,871.

Components of Net Pension Liability

At December 31, 2024, the Authority's proportionate share of the PERS net pension liability was \$168,472. The net pension liability was measured as of June 30, 2024. The total pension liability used to calculate the net pension liability was determined using updated procedures to roll forward the total pension liability from an actuarial valuation as of July 1, 2023, which was rolled forward to June 30, 2024. 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, 2024. The Authority's proportion measured as of June 30, 2024, was 0.0012398579% which was a decrease of 0.0000070302% from its proportion measured as of June 30, 2023.

Balances at December 31, 2024 and 2023

	<u>12/31/2024</u>	<u>12/31/2023</u>
Actuarial valuation date (including roll forward)	June 30, 2024	June 30, 2023
Deferred Outflows of Resources	\$ 25,857	\$ 36,701
Deferred Inflows of Resources	11,035	11,683
Net Pension Liability	168,472	180,604
Authority's portion of the Plan's total Net Pension Liability	0.00124%	0.00125%

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements (continued)

NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Pension Expense/(Benefit) and Deferred Outflows/Inflows of Resources

At December 31, 2024, the Authority's proportionate share of the PERS expense/(benefit), calculated by the plan as of the June 30, 2024 measurement date is \$14,933. At December 31, 2024, 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	\$ 3,375	\$ 449
Changes of Assumptions	209	1,917
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	7,812
Changes in Proportion and Differences between Authority Contributions and Proportionate Share of Contributions	<u>22,273</u>	<u>857</u>
	<u>\$ 25,857</u>	<u>\$ 11,035</u>

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 December 31,</u>	<u>Amount</u>
2025	\$ (2,870)
2026	9,818
2027	1,099
2028	2,445
2029	<u>4,330</u>
	<u>\$ 14,822</u>

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements (continued)

NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

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, deferred outflows of resources, or deferred inflows of resources to report in the financial statements of the local participating employers related to the legislation. However, the notes to the financial statements of the local participating employers must disclose the portion of the non-employer contributing entities' total proportionate share of the collective net pension liability that is associated with the local participating employer. In addition, each local participating employer must recognize pension expense associated with the employers as well as revenue in an amount equal to the non-employer contributing entities' total proportionate share of the collective pension expense associated with the local participating employer.

Additionally, the State has no proportionate share of the PERS net pension liability attributable to the Authority as of December 31, 2024. At December 31, 2024, the State's proportionate share of the PERS expense, associated with the Authority, calculated by the plan as of the June 30, 2024 measurement date was \$543.

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 updated 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:

2.75 - 6.55%
Based on Years of Service

Investment Rate of Return	7.00%
---------------------------	-------

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements (continued)

NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Actuarial Assumptions (continued)

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, 2023 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, 2024) 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, 2024 are summarized in the following table:

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements (continued)

NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Long-Term Expected Rate of Return (continued)

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
U.S. Equity	28.00%	8.63%
Non-U.S. Developed Markets Equity	12.75%	8.85%
International Small Cap Equity	1.25%	8.85%
Emerging Markets Equity	5.50%	10.66%
Private Equity	13.00%	12.40%
Real Estate	8.00%	10.95%
Real Assets	3.00%	8.20%
High Yield	4.50%	6.74%
Private Credit	8.00%	8.90%
Investment Grade Credit	7.00%	5.37%
Cash Equivalents	2.00%	3.57%
U.S. Treasuries	4.00%	3.57%
Risk Mitigation Strategies	3.00%	7.10%

Discount Rate

The discount rate used to measure the total pension liability was 7.00% as of June 30, 2024. 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.

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:

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements (continued)

NOTE 6: PENSION OBLIGATIONS (continued)

Public Employees' Retirement System (PERS) (continued)

Discount Rate (continued)

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Authority's Proportionate Share of the Net Pension Liability	<u>\$ 225,743</u>	<u>\$ 168,472</u>	<u>\$ 122,361</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 \$106 per quarter

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. 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. Once construction on each building is finished, sewer hook ups and inspections commence. The Authority charges M&T for the entire building's hook up and inspection fees and receives a bulk deposit. As of the date of this report, the project has commenced, and the Authority has received \$80,478 in connection fees related to the first building hook up and inspections.

NOTE 9: COMMITMENTS

On March 13, 2017, the Authority entered into an agreement with the Authority of South Toms River for the leasing of premises at 19 Double Trouble Road.

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Authority of South Toms River, County of Ocean, State of New Jersey)
Notes to the Financial Statements (continued)

NOTE 9: COMMITMENTS (continued)

The lease is for a period of ninety-nine (99) years or until the building is no longer in use by the Authority of South Toms River, whichever comes first. This period shall be renewable by way of a resolution passed by both the Authority and the Authority. During said period, the Authority shall pay the Authority rent in the amount of \$500 per month. On March 9, 2020, the original agreement was restructured to decrease monthly rent from \$500 a month to \$1 to a month beginning January 1, 2021. Total rent expense for the years ended December 31, 2024 and 2023 totaled \$12 and \$12, respectively.

NOTE 10: RISK MANAGEMENT

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

Property and Liability Insurance – During the year ended December 31, 2024 and 2023, 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, 2024 and 2023, 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 the Authority's Proportionate Share of the Net Pension Liability
Public Employees' Retirement System
Last Ten Fiscal Years

	Measurement Date Ended June 30,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Authority's proportion of the net pension liability (asset)	0.00124%	0.00125%	0.00111%	0.00106%	0.00097%	0.00096%	0.00085%	0.00086%	0.00087%	0.00080%
Authority's proportionate share of the net pension liability (asset)	\$ 168,472	\$ 180,604	\$ 167,375	\$ 125,018	\$ 157,909	\$ 173,756	\$ 167,267	\$ 200,446	\$ 256,837	\$ 180,397
Authority's covered-employee payroll	\$ 98,604	\$ 94,652	\$ 75,330	\$ 77,336	\$ 70,072	\$ 68,524	\$ 59,656	\$ 59,656	\$ 69,116	\$ 60,777
Authority's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	170.86%	190.81%	222.19%	161.66%	225.35%	253.57%	280.39%	336.00%	371.60%	296.82%
Plan fiduciary net position as a percentage of the total pension liability	68.22%	62.91%	70.33%	56.27%	56.27%	53.60%	48.10%	40.14%	47.93%	52.08%

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
Last Ten Fiscal Years

	For the Year Ended December 31,									
	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Contractually required contribution	\$ 16,871	\$ 16,665	\$ 13,986	\$ 12,539	\$ 10,593	\$ 9,380	\$ 8,450	\$ 7,977	\$ 7,704	\$ 6,909
Contributions in relation to the contractually required contribution	(16,871)	(16,665)	(13,986)	(12,539)	(10,593)	(9,380)	(8,450)	(7,977)	(7,704)	(6,909)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Authority's covered-employee payroll	\$ 103,600	\$ 98,604	\$ 94,652	\$ 75,330	\$ 77,336	\$ 70,072	\$ 68,524	\$ 59,656	\$ 59,656	\$ 69,116
Contributions as a percentage of covered-employee payroll	16.28%	16.90%	14.78%	16.65%	13.70%	13.39%	12.33%	13.37%	12.91%	10.00%

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

Public Employees' Retirement System (PERS)

Changes of Benefit Terms

None noted.

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>
2024	7.00%	2019	6.28%
2023	7.00%	2018	5.66%
2022	7.00%	2017	5.00%
2021	7.00%	2016	3.98%
2020	7.00%	2015	4.90%

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>
2024	7.00%	2019	7.00%
2023	7.00%	2018	7.00%
2022	7.00%	2017	7.00%
2021	7.00%	2016	7.65%
2020	7.00%	2015	7.90%

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

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Schedule of Revenues and Expenses - Budget to Actual
For the Year Ended December 31, 2024

	2024			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE
Revenues:				
User charges	\$ 569,840	\$ 569,840	\$ 593,626	\$ 23,786
Connection fees	3,896	3,896	80,478	76,582
Inspection and review	-	-	27,369	27,369
Delinquent charges	5,300	5,300	7,021	1,721
Other operating revenues	100	100	2,591	2,491
Total operating revenues	579,136	579,136	711,085	131,949
Expenses:				
Administrative expenses:				
Salaries	100,340	100,340	105,685	(5,345)
Payroll taxes and fringe benefits	18,850	18,850	19,968	(1,118)
Administration - other:				
Health insurance	28,327	28,327	30,554	(2,227)
Professional fees - legal	22,000	22,000	11,741	10,259
Professional fees - audit and consulting	30,000	30,000	27,910	2,090
Office expenses	9,450	9,450	18,576	(9,126)
Insurance	28,000	28,000	8,309	19,691
Postage	3,500	3,500	3,845	(345)
Telephone	2,000	2,000	2,133	(133)
Utilities	-	-	3,718	(3,718)
Fuel	-	-	864	(864)
Licenses and permits	850	850	7,781	(6,931)
Miscellaneous	4,000	4,000	864	3,136
Total administrative expenses	247,317	247,317	241,948	5,369
Cost of providing services:				
Salaries	29,790	29,790	44,032	(14,242)
Payroll taxes and fringe benefits	8,319	8,319	8,319	-
Cost of providing services - other:				
Ocean County Utilities Authority fees	300,000	300,000	321,360	(21,360)
Professional fees - engineering	15,000	15,000	-	15,000
Repairs and maintenance	9,000	9,000	10,951	(1,951)
Rent	1,800	1,800	-	1,800
Renewal and replacement	1,000	1,000	-	1,000
Total cost of providing services	364,909	364,909	384,662	(19,753)
Total expenses	612,226	612,226	626,610	(14,384)
Non-operating revenues:				
Interest income	150	150	13,473	13,323
Total non-operating revenues	150	150	13,473	13,323
Non-operating expenses:				
Municipal appropriation	30,561	30,561	30,561	-
Total non-operating expenses	30,561	30,561	30,561	-
Excess (deficit) revenues over expenses	\$ (63,501)	\$ (63,501)	67,387	\$ 130,888
Less:				
Depreciation and amortization			(84,393)	
Interest expense			(89)	
Unbudgeted pension benefit			1,936	
Change in net position per statements of revenues, expenses and changes in net position			\$ (15,159)	

SOUTH TOMS RIVER SEWERAGE AUTHORITY
(A Component Unit of the Borough of South Toms River, County of Ocean, State of New Jersey)
Schedule of Revenues and Expenses - Budget to Actual
For the Year Ended December 31, 2023

	2023			
	ORIGINAL BUDGET	AMENDED BUDGET	ACTUAL	VARIANCE
Revenues:				
User charges	\$ 569,840	\$ 569,840	\$ 580,556	\$ 10,716
Connection fees	3,896	3,896	100	(3,796)
Delinquent charges	5,300	5,300	6,302	1,002
Other operating revenues	100	100	-	(100)
Total operating revenues	579,136	579,136	586,958	7,822
Expenses:				
Administrative expenses:				
Salaries	97,435	97,435	100,481	(3,046)
Payroll taxes and fringe benefits	20,625	12,726	20,900	(8,174)
Administration - other:				
Health insurance	26,229	26,229	26,155	74
Professional fees - legal	22,000	22,000	12,449	9,551
Professional fees - audit and consulting	29,000	29,000	25,200	3,800
Office expenses	12,000	12,000	18,908	(6,908)
Insurance	21,000	21,000	27,435	(6,435)
Postage	4,800	4,800	3,522	1,278
Telephone	2,000	2,000	3,067	(1,067)
Utilities	3,235	3,235	2,124	1,111
Fuel	4,060	4,060	967	3,093
Licenses and permits	3,000	3,000	7,748	(4,748)
Miscellaneous	1,000	1,000	-	1,000
Total administrative expenses	246,384	238,485	248,956	(10,471)
Cost of providing services:				
Salaries	27,250	27,250	37,978	(10,728)
Payroll taxes and fringe benefits	-	7,899	7,899	-
Cost of providing services - other:				
Ocean County Utilities Authority fees	300,000	300,000	310,510	(10,510)
Professional fees - engineering	15,000	15,000	11,823	3,177
Repairs and maintenance	12,000	12,000	1,520	10,480
Rent	1,800	1,800	-	1,800
Renewal and replacement	1,000	1,000	-	1,000
Total cost of providing services	357,050	364,949	369,730	(4,781)
Total expenses	603,434	603,434	618,686	(15,252)
Non-operating revenues:				
Interest income	150	150	12,312	12,162
Total non-operating revenues	150	150	12,312	12,162
Non-operating expenses:				
Municipal appropriation	30,122	30,122	30,122	-
Total non-operating expenses	30,122	30,122	30,122	-
Excess (deficit) revenues over expenses	\$ (54,270)	\$ (54,270)	(49,538)	\$ 4,732
Plus:				
Unbudgeted pension benefit			3,364	
Less:				
Depreciation and amortization			(91,529)	
Interest expense			(300)	
Change in net position per statements of revenues, expenses and changes in net position			\$ (138,003)	

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

	Position	Term
George Rutzler _____	Chairman	2027
Joseph Jubert _____	Vice-chairman	2027
Marianne Grasso _____	Secretary	2028
Kayla Rolzhausen _____	Treasurer	2026
Jason Gloglolic _____	Vice-treasurer	2028



Certified Public Accountants + Advisors

1985 Cedar Bridge Ave., Suite 3 • Lakewood, NJ 08701 • 732.797.1333

194 East Bergen Place • Red Bank, NJ 07701 • 732.747.0010

www.hfacpas.com

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

We have audited the financial accounts and transactions 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 for the year ended December 31, 2024. 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.

The Management of the Authority has 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.

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 Cash Receipts

A test check of cash receipts was made. The results of the examination did not disclose any discrepancies with respect to cash receipts.

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.

Examination of Payroll

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 capital asset 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 11, 2023, and adopted its operating budget on November 8, 2023. The results of our tests disclosed instances of noncompliance as follows:

Finding 2024-001 Budgetary Expenditures

Criteria: State of New Jersey Statue 5:31-2.3 provides that the Authority shall adopt an annual budget by resolution of the Authority and any budget amendments or transfers must be adopted by resolution by the Authority in accordance with State of New Jersey Statute 5:31-2.8.

Condition and context: The financial information for the year ended December 31, 2024, included budgetary over-expenditures in total appropriations that were results of ineffective cost monitoring.

Cause: Because these over-expenditures were not detected prior to the information being provided for audit, there is an indication that the monitoring and review of financial information by management, is not being effectively performed.

Effect: The Authority over-expended total appropriations in the 2024 operating budget.

Recommendation: The Authority should implement a formal review and monitoring process at least on an annual basis to review costs against the budget to identify potential over-expenditures. Budget amendments should be made in accordance with State of New Jersey Statute 5:31-2.8 prior to committing funds.

Management's response: Management will ensure budget amendments or transfers are made and approved in accordance with New Jersey Statue Code 40A and ensure proper segregation of duties and enhanced oversight, providing improved internal controls.

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. During the current year, it was noted that the Authority had a prior year finding 2023-001 (current year 2024-001) which was not corrected in the current year.

Acknowledgment

We received the complete cooperation of all the officials and staff of the Authority, and we greatly appreciate the courtesies extended to the members of the audit team. During our audit, we did not note any problems or weaknesses significant enough that would affect our ability to express an opinion on the financial statements taken as a whole.

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.

HOLMAN FRENIA ALLISON, P.C.
Certified Public Accountants

July 15, 2025
Lakewood, New Jersey